SaskEnergy

ANNUAL REPORT 2004

MEETING THE CHALLENGE

Challenging Ourselves

As a Crown corporation, we have a vision – and an obligation – to achieve core business excellence for the benefit of the Province and its residents. To fulfill this vision, we focus our business plan on six strategic mandates which drive every aspect of our business:

These strategic mandates play a crucial role in our business planning, but they play an equally important role in our business reporting. Each year, we comprehensively measure, report and set targets for all aspects of our business according to the highest benchmarks possible – those we set for ourselves to become Canada's leading energy company.

More than just a financial annual report...

SaskEnergy's Annual Report provides a full picture of the Corporation's 2004 financial results, as well as operational details about SaskEnergy and its subsidiaries.

This Annual Report also fulfills several Crown corporation and Provincial Auditor communications expectations by providing information such as the Multi-year Perspective and the section on system integrity.

Our Management team believes this more complete picture helps Saskatchewan people better understand our business. We welcome comments at www.saskenergy.com.

Cover image: SaskEnergy employee Dennis Eckert heat-shrinks a protective sleeve over a weld on a section of eight-inch steel pipeline.

THE BALANCED PERSPECTIVE

COMPETITIVE RATES

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Provide fair, stable and competitive rates while contributing to the objective of having the lowest delivered cost for residential customers.	SaskEnergy to achieve the lowest weighted average cost of gas among major Canadian utilities	4th lowest	lowest	lowest	lowest	lowest	lowest	lowest
	TransGas to maintain highly competitive transportation and storage rates							
	• TransGas/Alberta export transportation rate comparison	Lower than Alberta system	Lower than Alberta system	Lower than Alberta system	Lower than Alberta system	Lower than Alberta system	Lower than Alberta system	Lower than Alberta system
	• Competitive storage rates - % capacity contracted	100	100	100	100	100	100	100

SAFE AND RELIABLE OPERATIONS

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
SaskEnergy/TransGas will design, operate and maintain a natural gas delivery system that meets customer reliability expectations and achieves industry standards for safety.	SaskEnergy – Unplanned outages per 1,000 customers	3.4	3.0	3.0	2.5	2.5	2.0	2.0
	TransGas – Unplanned outages per year	0	0	0	0	0	0	0
	SaskEnergy – Contacts with pipeline per 1,000 km of pipe	1.9	2.8	2.8	2.5	2.5	2.4	2.3
	TransGas – Contacts with pipeline per year	1	0	0	0	0	0	0
	% of the time SaskEnergy responds to safety-related incidents within one hour	96	98	98	98	98	98	98

CUSTOMER SERVICE EXCELLENCE

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Develop and optimize customer service processes that meet existing customer needs and new customer growth. The customer service experience will be enhanced through strong relationships and customer choice.	% of customer satisfaction with service reliability							
	• SaskEnergy	87	85	85	86	87	87	87
	• TransGas	96	85	85	85	87	87	87
	% of TransGas customer connections in less than 90 days	87	95	95	95	95	95	95
	% Customers utilizing e-business tools							
	• SaskEnergy	20	20	20	25	30	35	35
	• TransGas	88	90	90	95	95	95	95

DELIVERING SHAREHOLDER VALUE

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Ensure the financial integrity of the organization and increase enterprise value through prudent growth and capital investment.	ANNUAL RETURN TO THE SHAREHOLDER ($ millions)							
	• Consolidated net earnings from operations	70	67	58	58	56	58	57
	• Dividend to Crown Investments Corporation	70	66	57	38	36	41	51
	• SaskEnergy							
	- Rate of return on equity (%)	11.0	10.5	9.1	9.5	9.5	9.5	9.5
	- Rate of return on rate base (%)	8.0	7.8	6.8	7.0	6.8	6.6	6.7
	• TransGas							
	- Rate of return on equity (%)	15.2	11.0	11.0	10.5	10.5	10.5	10.5
	- Rate of return on rate base (%)	10.6	9.3	9.1	8.4	8.3	8.1	8.0
	FINANCIAL INTEGRITY							
	• Consolidated debt-to-equity ratio	68/32	72/28	68/32	68/32	67/33	65/35	64/36
	INVESTING IN SASKATCHEWAN - GROWTH ($ millions)							
	• Invest in new infrastructure, to grow system							
	- Transmission capital expenditures	23	35	18	12	6	3	3
	- Distribution capital expenditures	11	13	11	9	9	9	9
	INVESTING IN SASKATCHEWAN - SUSTAINING ($ millions)							
	• Invest in infrastructure to sustain and maintain system							
	- Transmission capital expenditures	12	21	19	21	19	12	13
	- Distribution capital expenditures	19	19	20	23	20	17	17
	INVESTING FOR SASKATCHEWAN ($ millions)							
	• Total equity invested (cumulative)							
	- Gas Sur	13.6	13.6	13.6	13.6	13.6	13.6	13.6
	- Igasomex	10.7	10.7	11.6	11.6	11.6	11.6	11.6
	- Heritage Gas	4.1	5.3	9.7	11.8	11.8	11.8	11.8

* Dividends paid by Crown Investments Corporation take into account the margin on commodity sales. 2004 net earnings (which include this margin) were $107.8 million, generating a dividend of $70 million.

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SASKENERGY INCORPORATED

OPERATING HIGHLIGHTS

JANUARY:

On peak day, TransGas delivers a record 1.12 Petajoules of natural gas to Saskatchewan consumers in a 24-hour period. This is an eight per cent increase over the previous record set only three weeks before.

FEBRUARY:

For the second consecutive year, SaskEnergy and TransGas participate in Safety Stand Down Week. During the week, employees participate in safety activities and training sessions with a focus on different hazards each day of the week.

MARCH:

APRIL:

MAY:

SEPTEMBER:

OCTOBER:

NOVEMBER:

FINANCIAL AND OPERATING HIGHLIGHTS

Consolidated financial highlights	2003	2004
($ millions)		
Delivery revenue	165	162
Transportation and storage revenue	81	88
Other revenue	67	67
Total revenue	313	317
Operating expenses	245	247
Net earnings from operations	68	70
Gain (loss) from commodity sales	(27)	38
Net earnings	41	108
Dividend	27	70
Total assets	1,235	1,286
Property, plant and equipment – net	941	949
Capital expenditures	79	68

Operating highlights	2003	2004
Distribution volumes (Petajoules)		
Residential	33	32
Commercial	30	29
Farm	4	4
Industrial	70	70
Total	137	135
Transmission volumes (Petajoules)		
Domestic	208	211
Export	146	147
Total	354	358
Number of customers		
Distribution	325,504	327,586
Transmission	115	108

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FEBRUARY:

For the second consecutive year, SaskEnergy and TransGas participate in Safety Stand-Down Week. During the week, executive members discuss workplace safety with staff at different locations across the Province.

MARCH:

Receipts onto the TransGas system from the Shackleton Reserve Area surpass 120 Terajoules per day, representing approximately 16 per cent of Saskatchewan's daily natural gas production.

APRIL:

SaskTel becomes the first non-pipeline-related company to join *Sask 1st Call*. With the addition of SaskTel, *Sask 1st Call* participating companies represent more than a quarter of a million kilometres of Saskatchewan's underground infrastructure.

MAY:

SaskEnergy officially opens a natural gas vehicle (NGV) refuelling station in Moose Jaw – the sixth such public facility the Corporation operates in Saskatchewan.

SEPTEMBER:

SaskEnergy launches the ENERGY STAR® Loan Event, a program that helps residential customers secure prime rate loans to purchase energy efficient heating equipment.

OCTOBER:

TransGas' storage facilities are filled to capacity in preparation for increased natural gas consumption during the winter.

NOVEMBER:

SaskEnergy announces its natural gas commodity rates will remain at their current levels throughout the winter heating season.

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Major Natural Gas Pipelines of Canada and the Northern United States

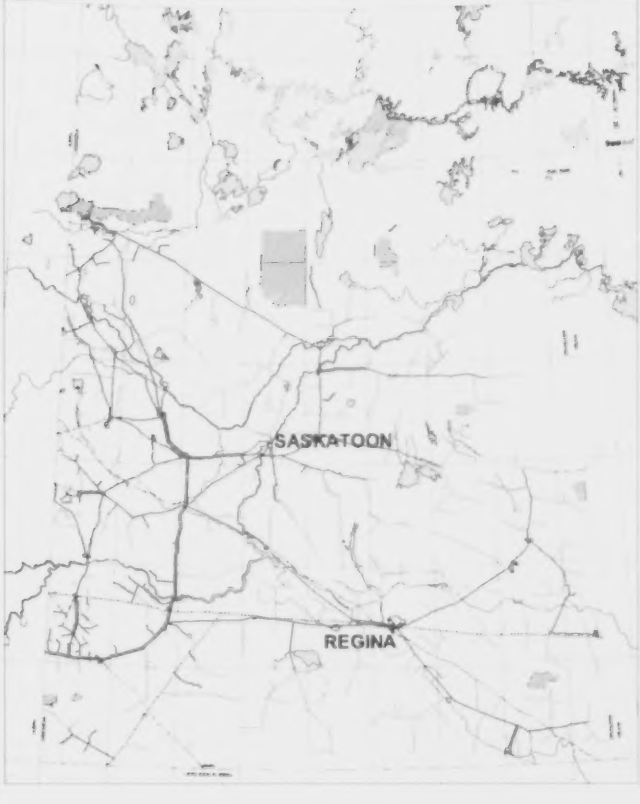
SaskEnergy Incorporated Natural Gas Transmission Pipelines

SASKATOON

REGINA

Major Natural Gas Pipelines of Canada and the Northern United States

SaskEnergy Incorporated Natural Gas Transmission Pipelines



Letter of Transmittal

March 31, 2005

The Honourable Dr. Lynda M. Haverstock
Lieutenant Governor
Province of Saskatchewan

May it please Your Honour:

I respectfully submit the Annual Report of SaskEnergy Incorporated for the year ended December 31, 2004, in accordance with *The SaskEnergy Act*. The Financial Statements are in the form approved by the Treasury Board, and have been reported on by the Corporation's auditors.

Harry Van Mulligen
Minister Responsible for SaskEnergy

Corporate Profile

SaskEnergy Incorporated (also referred to as SaskEnergy or the Corporation) is a Saskatchewan Crown corporation gov ed by *The SaskEnergy Act*. It is a designated subsidiary of Crown Investments Corporation of Saskatchewan (CIC). CIC is also a Crown corporation and effectively operates as the Province's holding company for commercial Crown corporations (such as SaskEnergy, SaskPower and SaskTel) and various commercial investments.

SaskEnergy's corporate structure consists of SaskEnergy (the Crown corporation) plus seven wholly owned subsidiaries as follows.

SaskEnergy's two major business units are the distribution utility (commonly referred to as the Local Distribution Company or LDC) and the transmission utility (TransGas Limited). The LDC has the exclusive legislated franchise to own and operate the natural gas distribution utility within the Province of Saskatchewan. The Provincial Cabinet regulates distribution rates.

TransGas Limited (TransGas) has the exclusive legislated franchise to own and operate the natural gas transmission business within the Province of Saskatchewan. It also owns and operates a natural gas storage business that is integral to the transmission pipeline system. TransGas' transmission rates are subject to Provincial Cabinet approval. TransGas has a Customer Dialogue process where business, operational and rates matters are openly discussed with a representative group of customers.

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CROWN INVESTMENTS CORPORATION OF SASKATCHEWAN
SASKENERGY INCORPORATED (Local Distribution Company)
TransGas Limited
Many Islands Pipe Lines (Canada) Limited
Bayhurst Gas Limited
SaskEnergy International Incorporated
Swan Valley Gas Corporation
Saskatchewan First Call Corporation
SaskEnergy Nova Scotia Holdings Ltd.
Transmission and Storage
Interprovincial Transmission
Natural Gas in Storage/ Royalty Interest
Manitoba Distribution Utility
Underground Facility Screening & Notification Service
50.1% Equity Interest in Heritage Gas Limited
SaskEnergy Chilean Holdings I Ltd.
SaskEnergy Chilean Holdings II Ltd.
SaskEnergy Mexican Holdings Ltd.
SaskEnergy Chilean Holdings Limitada
30% Equity Interest in Chilean Natural Gas Distribution Company Gas Sur S.A. (Gas Sur)
40.1% Equity Interest in Mexican Natural Gas Transmission Company Integrated Gas Services de Mexico, S. de R.L. de C.V. (Igasamex)

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SaskEnergy International Incorporated (SEII) was created in 1996 to enhance SaskEnergy's revenue streams by investing in new growth opportunities. SEII's primary focus is Latin America, one of the fastest-growing natural gas markets in the world. SEII holds a 30 per cent equity investment in Gas Sur S.A., a natural gas distribution company in Chile, as well as a 40.1 per cent equity investment in Igasamex USA Ltd., which owns a natural gas transportation company in Mexico. Through these equity investments, SEII today serves approximately 26,800 residential and commercial customers in Chile and over 70 industrial customers in Mexico.

Many Islands Pipe Lines (Canada) Limited (MIPL(C)L) owns 11 transmission pipeline interconnections to Alberta, two into the United States, and one into Manitoba. The National Energy Board regulates MIPL(C)L.

Bayhurst Gas Limited (Bayhurst) owns, produces and sells natural gas from its properties in the Beacon Hill area of Saskatchewan. Bayhurst also owns a gross overriding royalty on approximately 450 properties in Saskatchewan and Alberta.

Swan Valley Gas Corporation (SVGC), formed in 2000, owns a natural gas distribution utility in the Swan Valley area in western Manitoba. The Manitoba Public Utilities Board regulates SVGC.

Saskatchewan First Call Corporation *(Sask 1st Call)* was established primarily for safety reasons to maintain a database of oil, gas and other underground infrastructure. In 2003, *Sask 1st Call* began providing a service whereby landowners and other stakeholders could contact the company to determine the location of underground facilities. In 2004, *Sask 1st Call* began extending its service to non-pipeline-related companies.

SaskEnergy purchased a 50.1 per cent equity interest in Heritage Gas Limited (Heritage Gas) in 2002. In 2003, Heritage Gas accepted the natural gas distribution franchise to deliver natural gas service to six counties in Nova Scotia, and in 2004, the company began serving its first residential and commercial customers.

Chair's Message

The Board of Directors is pleased to present the 2004 SaskEnergy Annual Report.

We believe that the Board's most important job is selecting the President and Chief Executive Officer, so it was with pleasure that in November 2004 we appointed Doug Kelln, a company executive with more than 20 years of experience in the natural gas distribution and transmission businesses. Doug's record of accomplishment with the Corporation and his demonstrated skill in working with employees, customers, industry associations and partners will provide strong leadership for SaskEnergy and TransGas.

We would like to take this opportunity to thank Dean Reeve, our Executive Vice President, for his dedicated service as Acting President and Chief Executive Officer throughout the summer and fall of 2004.

When we look at the strong financial results for 2004, we see the high level of competence in our employees in all areas of the Corporation. Our Board is therefore very optimistic about the future of the organization, as it plays a central role as a growth company in Saskatchewan. As always, the Board needs to be mindful of providing good and helpful stewardship to the organization. For example, safety has been and must continue to be job one for the organization. Safe employees are productive employees.

Our Board is dedicated to best practices with respect to its governance responsibilities. Recognizing the importance of these responsibilities, we continuously work with Management to practice ideal governance.

We also believe it is our responsibility as a Board to set the strategic vision for the Corporation. Together with Management, we therefore continue to consider opportunities and ways to ensure the future viability and financial health of SaskEnergy and TransGas.

The employees of SaskEnergy and TransGas look forward to achieving their goal of being Canada's leading energy company in 2005. And the Board looks forward to our role in helping them achieve that goal.

Sincerely,

Mervyn Simon
Chair, SaskEnergy Board of Directors

President's Message

It was a great honour to assume the position of President and Chief Executive Officer of SaskEnergy in November, 2004.

As someone born in Saskatchewan, and who has spent my career working for both SaskEnergy and TransGas, it was a special feeling to assume the leadership of a company that is fundamentally strong ... in an industry that currently is very robust. "Meeting the challenge" of building on that strength will be my top priority, starting with our core businesses, TransGas and SaskEnergy.

These are very good times for our transmission business, TransGas. Natural gas well drilling and volumes transported continue to be at historically high levels as producers explore new opportunities within our Province. The ongoing development in the Shackleton natural gas field, now representing more than 16 per cent of all Saskatchewan natural gas production, continues to spur excitement. The SaskEnergy distribution utility, which now serves more than 327,000 customers, continues to operate safely and reliably, providing stable and competitive rates. For the last decade, SaskEnergy's combined commodity and delivery rates have consistently been either the lowest or second-lowest in Canada, a status that we expect to continue as we help meet the Government's commitment to the lowest-cost utility bundle.

My focus will be on maintaining operational excellence in these two businesses through an ongoing effort to improve productivity and manage costs. The strong financial results of 2004 not only illustrate the strength of these businesses and the dedication of our employees, but also the core competencies which we have leveraged to augment our returns. While our businesses are mature, there are opportunities where we can use our unique expertise to grow and support the Saskatchewan economy.

For example, our ability to use our facilities during off-peak periods to buy and sell gas, together with our industrial contracting, delivered solid financial results in 2004. Developing storage opportunities, using a technology we pioneered over four decades ago, remains not only an opportunity to provide commercial customers with a valued service, but also an essential part of ensuring safe and reliable natural gas service to all customers during cold winter months.

System integrity must be a priority for a utility. In 2005, we plan to invest $68 million inside the Province as we perform critical system maintenance work as well as expand service connections.

This year's Annual Report continues our focus of reporting to the public on our system integrity work as well on the capacity of our network. In some areas of Saskatchewan, the natural gas infrastructure is 50 years old or more and continues to perform at a high reliability level but

there is no room for complacency. That is why we continue to ensure we have sophisticated leading-edge programs that take advantage of the best intelligence in our industry. I encourage you to read this section starting on page 15.

As we look toward and celebrate the Centennial year of 2005, we recognize that the face of SaskEnergy is changing ... and understand that the pace of that change must continue to increase. The people who built Saskatchewan's natural gas system through the 1960s and 1970s are reaching the collective end of their working years. I would like to recognize these individuals for their achievements.

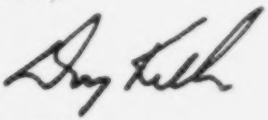
By 2010, nearly one quarter of our workforce will be eligible for retirement. This means our succession plans must continue to allow development of our employees to meet the challenges of a transitioning workforce while taking on the business opportunities of the future.

Our company had the foresight to start planning for this reality in the 1990s. This has included making significant strides toward a representative workforce for the Province we serve. The results can be seen in the leadership roles Aboriginal employees occupy throughout our company. With the magnitude of the workforce renewal facing us and many other Saskatchewan companies, there are no easy answers to these challenges, but we are proud of the supportive environment we have built within SaskEnergy. It's a culture that will be attractive to all employees making up our team in the workplace of tomorrow.

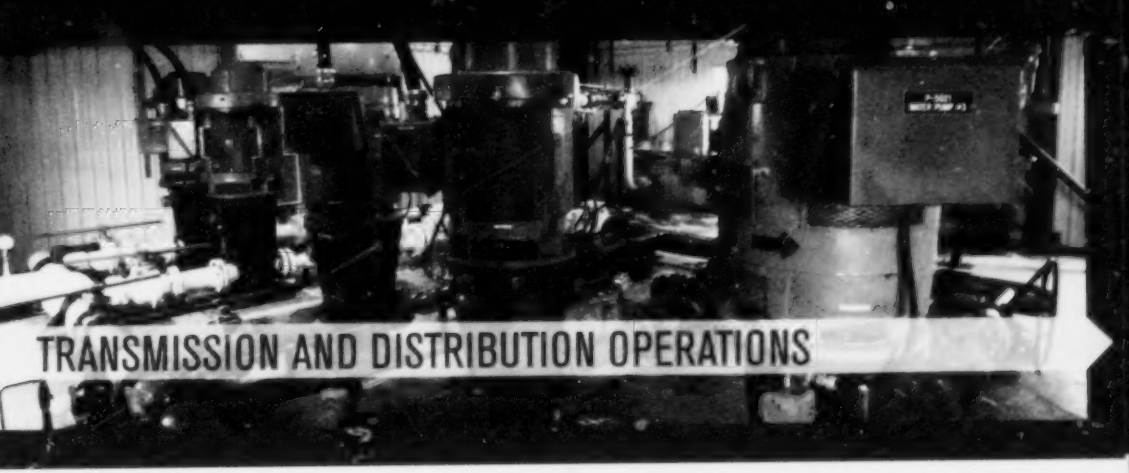
In closing, I want to thank our Board of Directors, and Chair Mervyn Simon, for their support, guidance and direction in 2004. The year past truly demonstrated the personal commitment and caring that our Board members have for our organization, and their understanding of the strategic challenges we face. In addition, I want to thank our customers for their loyalty and their patronage, because without you, we would not be successful.

Last but not least, I want to thank the approximately 900 employees of SaskEnergy and TransGas for their work serving our customers everyday – it is my pleasure to represent you as your President and Chief Executive Officer. There is much we can be proud of, not the least of which is the dedication our team brings to doing its job well.

Sincerely,



Doug Kelln
President and Chief Executive Officer



TRANSMISSION AND DISTRIBUTION OPERATIONS

On January 27, the Corporation delivered a record 1.12 PJ of natural gas to Saskatchewan customers – an amount roughly equivalent to the energy contained in 2.5 million 20-pound propane barbecue tanks. The total volume of natural gas transported through the system to both Saskatchewan and out-of-province customers that day was 1.48 PJ.

Peak Performance

SaskEnergy and TransGas operate a natural gas system designed to withstand the unique challenges of Saskatchewan's bitterly cold winters. This system performs safely and dependably every day, but usually faces a major test on one particular day each year.

"Peak day" is the 24-hour period with the largest volume of natural gas delivered to Saskatchewan customers. On January 27, 2004, cold weather and industrial demand helped set a one-day consumption record of 1.12 Petajoules (PJ) for Saskatchewan deliveries, with a record 0.55 PJ of this demand being met by natural gas produced from our underground storage facilities. This represented about 95 per cent of system capacity. On peak day, the Corporation's storage, transmission and distribution systems operated at near-design capacity, highlighting the importance – and the excellence – of our core operations.

The Need for Increased Storage Development

Record deliveries were not limited to just one day in 2004. The January 27 peak day Saskatchewan delivery volume was eight per cent higher than the previous record of 1.04 PJ set only three weeks before. These frequent record transport volumes caused by our customers heating their homes and businesses underscore the need for increased natural gas storage development in the Province.

Since the 1950s, natural gas storage has been an important part of the Corporation's core operations, helping meet high demand for natural gas during the winter months. As the number of customers grew, the Corporation pioneered the process of constructing underground caverns in salt formations and using them for natural gas storage. Natural gas storage caverns were developed at several different locations in the Province: Melville in the 1960s; Regina and Prud'homme in the 1960s and 1980s; Landis in the 1970s; and Moosomin in the 1990s.

These caverns were a cost-effective way to meet consumer needs without installing expensive pipelines that would operate near capacity only during times of peak winter consumption.

With its growing number of residential and major industrial customers, the Saskatoon area is now responsible for more than 30 per cent of the Saskatchewan peak winter natural gas load. The area's natural gas requirements have grown by 50 per cent over the past five years, and storage development in the region is imperative to sustain load growth in the future.

The Asquith Natural Gas Storage Cavern Project

In 2003, TransGas announced it will help ensure reliable winter service in the Saskatoon area by constructing a $35 million, four-cavern natural gas storage facility near Asquith, west of Saskatoon. Scheduled for completion in 2006, the Asquith development will increase the Corporation's storage capacity by almost four PJ.

To mine these storage caverns, which are approximately 1,100 metres below the earth's surface, water is pumped into a salt formation, dissolving it. Access to a source of water, therefore, is crucial to the success of the project. Based on hydrogeology, the Tyner Valley Aquifer (TVA) was determined to best meet this need.

Having met water use permit requirements and received regulatory permission from the Saskatchewan Watershed Authority (SWA) in the summer and fall of 2003 TransGas took preliminary steps toward developing the Asquith storage cavern facility. Before beginning development of the caverns, TransGas began monitoring water wells in the area to compare existing water levels with projected levels after the start of the solution mining process. TransGas also proactively mitigated certain landowners' wells within the project area whose water levels might be temporarily reduced, and committed to mitigate other project-area wells if necessary.

Glossary of Natural Gas Measurements

Joule (J) – a base metric measure of energy. One J is the equivalent of the energy required to raise the temperature of one gram of water by approximately one quarter of one degree Celsius.

Gigajoule (GJ) – a measure of energy used to express the heating value of natural gas or of energy consumed. One GJ is equivalent to one billion J. An average home uses about 130 GJ per year.

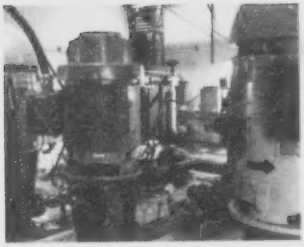
Terajoule (TJ) – a unit of energy equivalent to 1,000 GJ.

Petajoule (PJ) – a unit of energy equivalent to 1,000,000 GJ.

Cubic metre (m^3) – a unit of volume measurement commonly used to express the amount of natural gas sold to consumers. The typical home uses about 2,550 m^3 of gas per year.

Natural Gas Volume Equivalents at Normal Atmospheric Pressure

- One Gigajoule (GJ) is the volume of natural gas required to fill an 11 foot by 11 foot by 8 foot room (approximately 1,000 cubic feet).
- One Terajoule (TJ) of natural gas would fill a typical professional hockey arena (approximately 1,000,000 cubic feet).
- One Petajoule (PJ) is enough natural gas to fill 17 sports stadiums the size of the Rogers Centre, formerly known as the SkyDome (approximately 1,000,000,000 cubic feet).



The washplant at the Asquith storage cavern was commissioned in January, 2004. It uses non-potable water to solution mine caverns 1,100 metres below the earth's surface. The resulting brine is injected into an existing disposal formation at a depth of 1,600 metres – more than 15 times below the level of groundwater.

During meetings with TransGas late in 2004, landowners outside the project area expressed concern that the Asquith project was affecting water quality and quantity in wells drawing on aquifers other than the TVA. On December 13, 2004, TransGas advanced its planned temporary shutdown of the project by suspending solution mining operations for three months to allow the SWA to gather and examine additional data and ensure a sustainable water supply for landowners and for the project. After further review by an independent expert, the SWA indicated in March 2005 that pumping could resume.

Solution mining has been used for decades to develop storage caverns in Saskatchewan and throughout the world. Previous Saskatchewan projects have shown no long-term adverse impact on water levels.

Expanded TransGas System Capacity Helps Producers

While increased storage capacity will help meet the natural gas needs of residential, commercial and industrial customers in the Saskatoon area, expanded pipeline capacity is necessary elsewhere in Saskatchewan to allow natural gas exploration and production companies to get their natural gas to market. In 2004, TransGas met this challenge by investing a total of $10 million to expand pipeline access for producers in different parts of the Province.

The compressor for the Asquith caverns was delivered to the project site in September. When operational, it will generate 1,777 horsepower which will be used to inject pipeline gas into the caverns. At full operating capacity, the storage caverns will produce over 100 TJ/day of natural gas for customer use.

In 2002 and 2003, TransGas invested $17 million to develop its transmission network in the newly discovered Shackleton Reserve Area northwest of Swift Current. By March 2004, flows from the area had increased to 120 TJ/day, which represents approximately 16 per cent of Saskatchewan's total daily natural gas production.

Most Shackleton production came from the natural gas reserve area located south of the South Saskatchewan River. This began to change in 2004 when producers turned their attention to the gas reserves north of the river near Kyle and Lacadena. Development efforts in the area were very successful, and with producers committing to incremental transportation capacity, TransGas installed a 16-kilometre pipeline parallel to its existing North Shackleton lateral which had been operating at its capacity of 36 TJ/day for several months.

Placed in service on October 12, this pipeline doubled capacity north of the river to 73 TJ/day, the level to which production is expected to grow during 2005. By the end of 2004, TransGas had already tied in four North Shackleton receipt points for an additional 11 TJ/day. The Corporation's total investment in the Shackleton transmission infrastructure in 2004 was $4 million.

In addition, construction in the northwest and southwest areas of Saskatchewan added another 40 kilometres of pipeline and 11 producer tie-ins to the TransGas system, resulting in additional receipt capacity of 36 TJ/day. Facilities were also modified for two existing receipt points to create 11 TJ/day of additional capacity. These projects were engineered, designed and drafted entirely by TransGas in-house staff, and a combination of Saskatchewan contractors and SaskEnergy/TransGas construction staff installed all the pipeline and related facilities.

Given Saskatchewan's recent natural gas drilling and production levels, TransGas' commitment to its transmission infrastructure is critical. While the number of wells drilled dropped slightly from 2003 records, Saskatchewan natural gas receipts transported by TransGas in 2004 nonetheless totalled 270 PJ, a six per cent increase over 2003. On April 9, receipts of Saskatchewan production onto the TransGas pipeline system reached 772 TJ/day, surpassing the previous record of 766 TJ/day set in December 2003.

The record volumes moved through the transmission system are good news for Saskatchewan natural gas producers and consumers. With transmission revenues of $82 million in 2004 – up nine per cent from 2003 – TransGas reduced rates for transportation customers for the second consecutive year. This average reduction of 3.4 per cent effective November 1, 2004 means highly competitive rates for transmission customers in the Province.

Pipeline capacity north of the river was doubled when TransGas installed another NPS 6 pipeline parallel to the existing North Shackleton lateral. In 2004, TransGas installed 42 kilometres of pipeline in the area to expand capacity and connect natural gas producers to the system.

SaskEnergy Distribution System Continues to Grow

SaskEnergy's natural gas distribution utility continues to face the challenge of finding ways to grow while still providing competitively priced service in a mature market where over 90 per cent of communities receive natural gas. In 2004, the distribution utility met this challenge head-on by committing $11 million – fully one-third of its 2004 capital investment – to pursue both traditional and non-traditional distribution loads in the Province.

A total of 2,072 net customer additions occurred by year's end, almost 200 more than in 2003, and double the target set for 2004. Although the main customer growth was in the larger urban centres of Regina, Saskatoon and Prince Albert, activity in rural areas was stronger than forecast, with a net number of 362 rural additions, including 78 farm customers. As of December 31, 2004, 327,360 Saskatchewan customers had natural gas service.

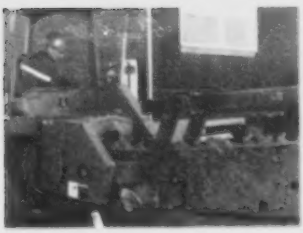
TransGas added a total of 15 receipt points to its system in 2004. Here, a contractor X-rays welds on pipeline leading to a new receipt point in the Rural Municipality of Snipe Lake. Production here came on stream in November.

2004 CAPITAL EXPENDITURES (TRANSMISSION)

Category	($ millions)
System Improvements/ Pipeline Integrity	9
Transmission Expansion	10
Information Systems	1
Measurement/ SCADA Support	1
Storage Development	13
Other Plant	1
Total	**35**

2004 CAPITAL EXPENDITURES (DISTRIBUTION)

Category	($ millions)
Customer Connections	11
Information Systems	4
System Improvements	8
Measurement/Tools/NGV	2
Other Plant	5
Total	**30**



The Willowgrove residential development in Saskatoon, one of SaskEnergy's larger connection projects in 2004, was responsible for adding 152 new and potential customers to the distribution system.

SaskEnergy serves 53 of Saskatchewan's 75 First Nations, a rapidly growing rural customer base. A total of 128 new residential and commercial customers on Saskatchewan First Nations received service in 2004, with a large number of them in centralized subdivisions that minimize the cost of providing service.

SaskEnergy also continues to focus on increasingly important non-traditional distribution loads. In 2004, discussions about providing natural gas service were held with several prospective ethanol/livestock operators, as well as co-generation project leaders. One large Hutterite colony was also served, providing a diversified load that included residences and agricultural operations such as barns and shops and represents a load equivalent of approximately 90 homes. Four oilfield customers were also added to the system, with the load equivalent of at least 140 homes.

Natural gas vehicles (NGVs) are another non-traditional load the Corporation has developed in recent years. By 2003, SaskEnergy had installed five public refuelling stations located in North Battleford, Prince Albert, Regina, Saskatoon and Yorkton. These stations have been especially beneficial for NGV fleet owners whose vehicles return to a central point daily and can share a fuelling station.

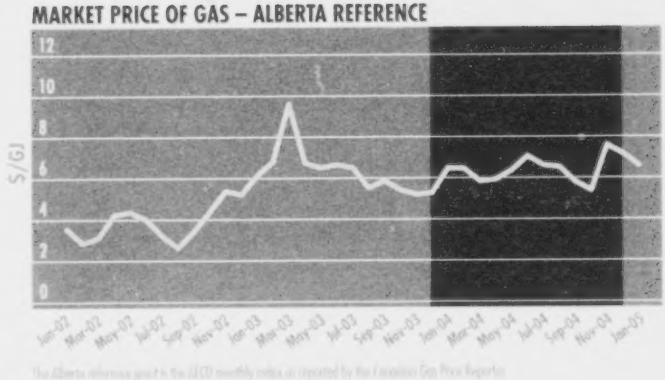
In 2004, the City of Moose Jaw became one of the largest NGV fleet owners in the province when it began a four-year project to convert 18 vehicles to natural gas. To serve this new fleet, SaskEnergy officially opened its sixth public NGV refuelling facility – a 24-hour cardlock station in Moose Jaw.

The new station will not only mean an increased distribution load for SaskEnergy, but it will also help the City of Moose Jaw and other fleet owners meet the economical and environmental challenges of operating their vehicles. The City of Moose Jaw's NGVs, for example, will reduce smog-causing emissions by half, cut greenhouse gas emissions by 20 per cent, and save thousands of dollars a year in fuel costs compared to an identical fleet of traditional gasoline or diesel-burning vehicles. By year's end, SaskEnergy had installed its seventh NGV refuelling facility in Swift Current.

Distribution Utility Meets Rates Challenge

This past year saw many challenges in the North American energy industry. After rising for the past several years, throughout 2004 the market price of natural gas remained at historically high levels. In a year marked by significant exploration and production activity, the pricing of the commodity remained strong. As crude oil set new records (rising to $55 US/barrel in October 2004), natural gas became an increasingly favoured energy source, with the result that the market price of natural gas tended to move in concert with that of crude oil.

MARKET PRICE OF GAS – ALBERTA REFERENCE

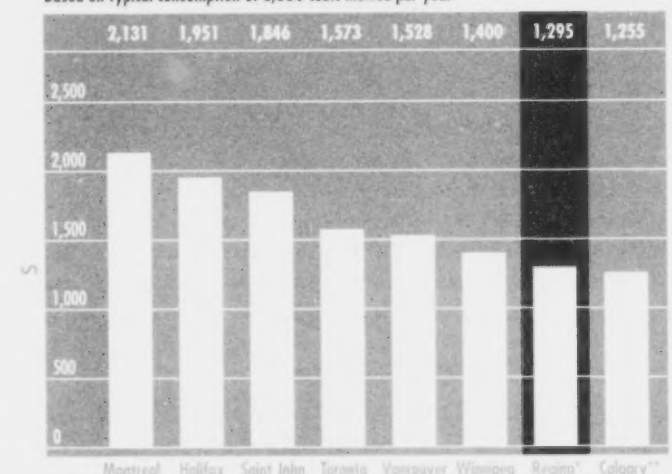


The Alberta reference price is the AECO monthly index as reported by the Canadian Gas Price Reporter.

In this market situation, SaskEnergy's commodity rate – designed to recover the actual cost of gas without any mark-up – remained constant at its August 2003 level of $6.97/GJ. This rate stability was a result of the Corporation's longstanding gas price management program, which uses sophisticated financial instruments to manage price volatility in the natural gas market.

The gas price management program helps provide SaskEnergy customers with competitive commodity rates. For the past several years, SaskEnergy's combined commodity and delivery rates have been either the lowest or second-lowest among major natural gas utilities in Canada, and were second-lowest in 2004.

2004 RESIDENTIAL NATURAL GAS BILL COMPARISON
Based on typical consumption of 3,550 cubic metres per year



* Does not include the Saskatchewan Government Interim rebate of $137.
** Does not include the Alberta Natural Gas Rebates totalling $188 for this usage.

Compared to natural gas consumers in other provinces, Saskatchewan residents had the second-lowest average annual bills in Canada in 2004.

Natural gas has become an important economic driver for First Nations businesses, including the Pasqua Pitstop, which received service in 2004. Says Cynthia Missens, manager of the business: "Deciding to use natural gas for our heating and clothes drying needs was an easy choice. Natural gas provides an economical means to heat the property and the cost savings are good for our business, which also means savings for our customers. We are very happy with the benefits natural gas has brought to our business."

Moose Jaw Mayor Al Schwinghammer helped open SaskEnergy's new public refuelling station, which began selling an equivalent litre of natural gas for 48.9 cents. Says Mayor Schwinghammer: "We are proud to work with SaskEnergy to provide our City vehicles with natural gas, a clean-burning fuel alternative."

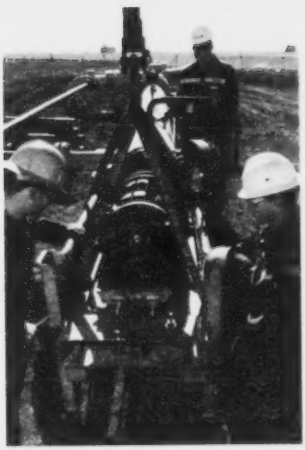
SAFE AND RELIABLE SYSTEM

A Commitment to a Safe and Reliable System

The Corporation operates one of the largest natural gas pipeline and storage systems in North America – a complex system spanning much of Saskatchewan and made up of 22 storage caverns, 26 compressor stations, over 65,000 kilometres of distribution pipeline, over 14,000 kilometres of transmission and gathering pipeline, and hundreds of facilities such as town border stations and metering points.

The resources required to operate and continually maintain such a system are equally great, with thousands of person-hours and $16.2 million invested in 2004 to meet the challenge. This investment is something the Corporation cannot truly put a price tag on – especially at times like peak day on January 27.

As in past years, in 2004 SaskEnergy and TransGas' approach to system integrity was multi-faceted, combining sophisticated technology, visual inspection, hands-on-maintenance and proactive public awareness initiatives to mitigate risks to the system. Some of these technologies and processes are industry standard and utilized every year, while some are innovative and were used for the first time by SaskEnergy/TransGas in 2004.



In November, TransGas employees launched an ILI tool, or "Smart Pig," into a section of the 16-inch transmission pipeline from Rosetown to Pennant. After the data is completely analyzed in early 2005, TransGas will know if the pipeline requires preventative maintenance, and will act accordingly.

Computer Technology Plays Important Role

Throughout 2004 the Corporation employed industry-proven computer technologies to assess the condition of select sections of its pipeline system. As in past years, TransGas determined which areas of the system could be at risk for corrosion or stress-related cracking by using system-predictive modelling software that takes into account factors such as a pipeline's age, location, soil environment and maintenance history. Based on this analysis, TransGas then conducted In-Line-Inspections (ILI) on sections of pipeline deemed to be most at risk.

During the ILI process, TransGas crews send a computerized tool through the pipeline to measure wall thickness and detect potential problems such as corrosion, obstructions, or bends in the line. Once the ILI tool has travelled through the section of the pipeline being tested, the data is collected and analyzed to determine what action, if any, is required to maintain the pipeline's safety and reliability. In 2004, TransGas conducted ILI on nine segments of pipeline totalling 833 kilometres of the transmission system, and after analyzing the data carried out pre-emptive repairs at 80 sites.

The Corporation implemented two major computer systems during 2004 which played an important role in helping ensure pipeline and facility reliability. One of them, TransGas' new Supervisory Control and Data Acquisition (SCADA) computer system, supplied by Telvent Canada Ltd., came on-line January 20 after almost two years of planning and development.

The new system, considered one of the most advanced pipeline SCADA systems available in the world, raises TransGas' ability to remotely supervise its facilities to new levels. The SCADA system allows TransGas to remotely monitor and in many cases control the minute-to-minute operation of more than 500 natural gas facilities in the Province. Should the operation of one of these monitored points be affected, the SCADA system immediately notifies Gas Control. Dispatchers can then quickly address the situation by calling field personnel to the scene and initiating any necessary emergency response procedures. Through SCADA, Dispatchers can also redirect gas flow in the affected area by remotely controlling major block valves, city gate stations, and compression and storage facilities.

The new SCADA system is an important part of the Corporation's strategy for providing the safest, most reliable and most cost-effective service possible. Through the next decade, its versatility will enable TransGas and SaskEnergy to continually increase the level of monitoring and supervision of their transmission, storage, and distribution systems – something that was shown in May 2004 when Gas Control in Regina began using the SCADA system to monitor the Thornhill regulator station owned by Heritage Gas and located near Dartmouth, Nova Scotia.

In addition, TransGas is exploring options to leverage this technology and provide cost-effective solutions for others.

TRANSGAS IN-LINE-INSPECTION (ILI) OF TRANSMISSION PIPELINE – FIRST-TIME INSPECTION

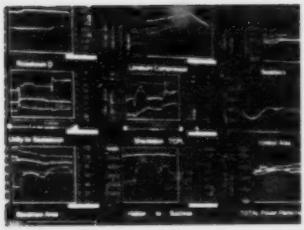
Year	kilometres	Cumulative percentage of system
1998	14	0.1
1999	79	0.7
2000	96	1.4
2001	368	4.0
2002	589	8.2
2003	586	12.3
2004	833	18.2
2005	500 (proposed)	21.7
2006	500 (proposed)	25.2
2007	300 (proposed)	27.4
2008	200 (proposed)	28.8
2009	200 (proposed)	30.2

By the end of 2009, TransGas expects to have conducted ILI on a cumulative total of approximately 30 per cent of its pipeline system.

TRANSGAS IN-LINE-INSPECTION (ILI) OF TRANSMISSION PIPELINE – RE-INSPECTION

Year	kilometres	Cumulative percentage of system
2005	100 (proposed)	0.7
2006	100 (proposed)	1.4
2007	300 (proposed)	3.5
2008	300 (proposed)	5.7
2009	300 (proposed)	7.8

After undergoing an initial ILI, a pipeline generally does not require another examination for anywhere from five to 10 years, depending on factors such as pipeline location and construction material. In 2005, TransGas plans to start re-inspecting select sections of pipeline that have already been ILI-tested once since 1993.



In addition to allowing Gas Control to remotely control system operation, SCADA can process and validate measurement data on a daily basis from field flow computers at hundreds of customer receipt and delivery points across Saskatchewan. This gives employees access to real-time information about the pipeline system's performance.

Another major computer system upgrade took place in January 2004 with the implementation of the PeopleSoft EnterpriseOne (OneWorld) business application. By consolidating Accounting, Supply Chain Management, Payroll, Human Resources, and Station and Equipment Maintenance functions for both SaskEnergy and TransGas, OneWorld immediately began streamlining the processes by which the Corporation maintains its infrastructure.

In the event of any service disruption, an employee enters a detailed corrective work order into the OneWorld system. Over time, this growing body of information creates precise records of equipment performance across the system. Tracking these records allows the Corporation to identify problem equipment or locations and make adjustments as quickly as possible. For example, OneWorld reports in 2004 indicated that excessive wind negatively affects how certain line heaters perform at three locations in the Province. This data is invaluable as the Corporation continually works to improve equipment reliability and generate cost savings.

OneWorld also helps the Corporation efficiently perform preventative maintenance on the pipeline network. During 2004, OneWorld automatically generated 9,327 preventative maintenance work orders for 49 of the distribution utility's work locations around the Province. By December 1, the system indicated these maintenance activities – which ranged from simple inspections of stations to complicated overhauls of specific pieces of equipment – were 94 per cent complete, with preventative work remaining for only nine work locations. This enabled the Corporation to match resources with remaining workload and complete the year's system-wide preventative maintenance activities more efficiently than ever.

In February, the Corporation saw the results of its longstanding focus on system integrity. When contractors began work on the "Big Dig" to deepen Wascana Lake in Regina, SaskEnergy used this opportunity to inspect a 50-year-old section of pipeline buried approximately a metre below the lake bottom. The pipeline was examined for imperfections and corrosion before being pronounced fit for many years of future service.

Facility Inspection and Maintenance Continue

Visual inspection and hands-on maintenance of the Corporation's facilities were again a priority in 2004. Each year, the entire transmission pipeline system and approximately 20 per cent of the distribution system are leak-surveyed. For the transmission system, aerial surveys are performed by personnel who are skilled in recognizing surface features that indicate the presence of a gas leak or facility encroachment. In rural areas on the distribution system, ground surveys are performed using detection equipment mounted on all-terrain vehicles (ATVs). In urban and other high-density population areas, surveys are completed by personnel on foot carrying portable detection equipment.

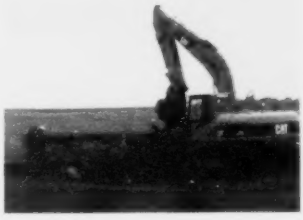
During 2004, approximately 13,650 kilometres of TransGas transmission and gathering pipelines were leak-surveyed by air. An additional 146 kilometres were leak-surveyed by ATV, and 130 kilometres on foot. SaskEnergy leak-surveyed 11,734 kilometres of main distribution pipeline on foot and by ATV, as well as 73,097 customer service lines. In addition, leak surveys were conducted on all of the above- and below-ground piping at 10 compressor stations and one gas storage field.

Detailed cathodic protection surveys on 800 kilometres of transmission and distribution pipeline ensured the proper functioning of electrolytic anti-corrosion equipment.

Direct examinations (measurements and tests used to assess the condition of exposed facilities) are performed each year on above- and below-ground facilities. During 2004, direct examinations were conducted on 38 pressure vessels and 50 piping sections at transmission stations. As well, in most cases direct examinations were the first part of the repair process after ILIs were performed on sections of pipeline. Through investigative excavations, TransGas conducted direct examinations at 79 locations on 11 different transmission lines across the Province.

Hydrostatic pressure tests are another way of confirming the strength and integrity of natural gas pipelines. These tests are conducted on certain TransGas pipelines before they are put into service or if their classification changes after the original installation. A hydrostatic test involves pumping water into a pipeline and maintaining it above normal operating pressure for several hours. A sudden pressure drop indicates a leak in the line, and the pipeline right-of-way is then examined for signs of wet ground or washout to locate the leak. If a leak is discovered, the affected section of pipe is then either repaired or replaced immediately. In 2004, TransGas conducted a hydrostatic test on one existing 18-kilometre section of pipeline. No leaks were discovered. Additional hydrostatic tests were conducted to confirm the integrity of seven new pipelines with a combined length of 42.4 kilometres.

After visually inspecting a 12-inch natural gas transmission line pipeline in Saskatoon, TransGas and SaskEnergy crews installed the Province's first specialized high tension safety tape above the pipeline as an early warning signal to machinery operators who may unknowingly dig close to the pipeline.



In August, TransGas crews performed a hydrostatic pressure test on the pipeline which provides natural gas service to the communities of Pilot Butte, Emerald Park, White City and Balgonie. This test ensured that the Corporation can continue meeting the natural gas requirements of customers in the expanding residential area east of Regina.

Sask 1st Call

1-866-828-4888

Partnering to Promote Public Awareness

Public awareness is a key part of ensuring the reliability of a pipeline network and the safety of those who work around it. During 2004 the Corporation undertook a variety of public awareness initiatives to ensure Saskatchewan residents did not adversely affect – and were not adversely affected by – the SaskEnergy/TransGas pipeline infrastructure.

For instance, the Corporation enhanced its formal partnership with other companies who operate underground facilities in the Province. In 2003, *Sask 1st Call*, a wholly owned subsidiary, began offering the first streamlined "Call Before You Dig" service for anyone planning to excavate in Saskatchewan. By calling the *Sask 1st Call* toll-free number, an excavator can speak directly with a Customer Service Representative (CSR) who enters the project location into a screening database. The software then automatically notifies member companies who own underground facilities at the site and are required to perform a line locate. *Sask 1st Call* had 12 participating companies by the end of 2003.

Contractors like Morsky Construction always request line locates through *Sask 1st Call* before excavating in the Province.

Throughout 2004, *Sask 1st Call* greatly enhanced its scope and services. In April, SaskTel became the first non-pipeline-related company to subscribe to the service. This reduced the number of calls Saskatchewan residents and contractors have to make when planning to excavate, and allowed *Sask 1st Call* to operate its most effective public awareness campaign yet. In August, *Sask 1st Call* launched its online service, meaning customers can now request locates by telephone, fax or email. With the addition of SaskTel, *Sask 1st Call* had 20 participating companies at year end, which together were responsible for more than a quarter of a million kilometres of buried infrastructure across Saskatchewan.

Entering its third full year of operation, *Sask 1st Call* is a growing success story in terms of both preventing infrastructure damage and protecting the public. In 2003, CSRs fielded 49,032 line locate requests, resulting in 49,868 notifications to member companies – roughly a one-to-one ratio. Increased public awareness and a growing number of subscribers meant efficiency increased in 2004, with 68,016 requests resulting in 97,525 line locate notifications to participating companies.

Year	SaskEnergy Line Hits	TransGas Line Hits	*Sask 1st Call* Notifications Received by SaskEnergy/TransGas
2001	175	2	–
2002	156	0	–
2003	175	3	48,292
2004	123	1	47,754

Increased public awareness and a growing number of *Sask 1st Call* member companies helped reduce the number of line contacts on the SaskEnergy/TransGas system in 2004.

The Corporation promoted public awareness of pipeline safety in 2004 by building on existing relationships with other Saskatchewan groups. At open houses and trade shows, for example, TransGas representatives instructed more than 250 firefighters and first responders on safety procedures in the event of a natural gas-related emergency. Representatives also spoke to approximately 1,000 delegates at the Saskatchewan Association of Rural Municipalities convention. Safety-related mailouts and visits to landowners, First Nations and rural municipalities during the year totalled more than 1,500. Through the Contractor Safety Awareness Association, the Corporation also provided natural gas safety messaging – including the promotion of *Sask 1st Call* – to 2,194 contractors representing 757 companies.

The growing use of *Sask 1st Call* and open communication with different groups throughout the Province in 2004 have helped reduce the year-over-year number of pipeline contacts with the SaskEnergy/TransGas system. In 2003, there were 2.7 pipeline contacts per 1,000 km of SaskEnergy pipeline, and a total of three contacts with TransGas pipeline. The number of pipeline contacts decreased substantially in 2004, with 1.9 per 1,000 km of SaskEnergy pipeline, and only one contact with TransGas pipeline. The results are both tangible and invaluable – less damage to the Corporation's infrastructure, more reliable natural gas service, and enhanced safety for Saskatchewan residents.

The SaskEnergy/First Nations Safety Calendar, which communicates natural gas safety messages through artwork by Saskatchewan First Nations children, is one of the Corporation's most effective annual public awareness initiatives. This drawing by Ricky Waskewitch of the Island Lake Cree Nation is one of 14 featured in the 2005 calendar.

An Ongoing Investment in System Integrity

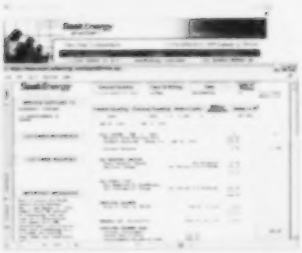
Ensuring the safety and reliability of its transmission, storage and distribution infrastructure will always be a priority and an ongoing commitment for the Corporation. TransGas' 2004 System Integrity Management Program, for example, marked the second year of a comprehensive five-year strategy. In 2004, TransGas invested over $6 million to ensure the risks to its high-pressure pipeline and related facilities are below the established TransGas risk tolerance level. Between 2005 and 2007, this investment level will increase to approximately $9 million per year to help the Corporation maintain the integrity of its transmission infrastructure and continue providing safe and reliable service.

CUSTOMER SERVICE EXCELLENCE

More Than a Million Moments of Truth

In 2004, SaskEnergy Customer Service Representatives fielded close to 700,000 customer inquiries and processed more than 500,000 face-to-face bill payments at area offices, while Service Technicians made more than 17,000 service calls to residences and businesses across the Province. These "moments of truth" allowed us to learn first-hand how we measure up to customer expectations and underscored how important customer service is to our business.

Expanded Online Services Benefit Customers



In early 2005, My Account Online will give customers the option of eliminating paper billing altogether, which will save the Corporation $5 per participating customer each year.

In addition to face-to-face interaction, online solutions have become increasingly important in recent years as more and more customers rely on www.saskenergy.com and www.transgas.com to help manage their accounts, choose service options and find information.

Since its debut in August 2003, My Account Online has become the most popular self-serve option at www.saskenergy.com. This application provides a convenient way for customers to view electronic copies of their actual bills, track payments, and even follow their past two years of natural gas usage. Through the service, customers may also sign up for the Equalized Payment Plan (EPP) and submit online meter reads to make their monthly bills as predictable as possible.

Over the course of 2004 – its first full year of operation – the number of customers using My Account Online increased substantially. Beginning in June, more than 5,500 customers registered for a new My Account Online service in which they receive monthly email reminders to read their meters, and over the course of the year customers submitted more than 21,000 meter reads online. By the end of the year, nearly 15,000 distribution customers were using the site's various services to help manage their accounts, an increase of more than 10,000 customers over 2003.

Another SaskEnergy online initiative provided especially innovative customer service in 2004. Originally launched at www.expressaddress.com in June 2003, ExpressAddress was developed by the eSask coalition, a group comprised of representatives from SaskEnergy, SaskPower, SaskTel, Saskatchewan Government Insurance and the cities of Regina and Saskatoon. The first application of its kind in Canada, it is a "one-stop" service giving Saskatchewan residents a convenient and secure way to connect, transfer or disconnect residential services for natural gas, telephone, water and electricity. Customers can also use ExpressAddress to update their address for driver's licences, vehicle registrations and various municipal services. Since 2003, 5,700 customers have conveniently completed secure change-of-address transactions using ExpressAddress.

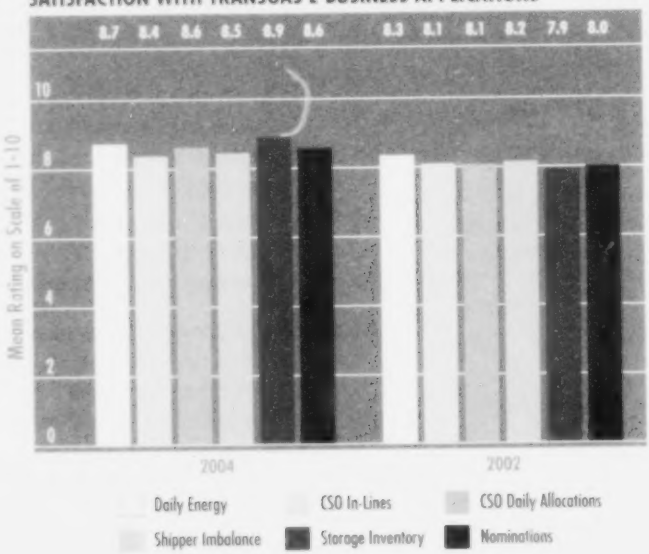
expressaddress

ExpressAddress won two national awards in 2004 recognizing the leadership and innovation SaskEnergy and its eSask coalition partners showed in developing and managing such an innovative and cost-effective service for the people of Saskatchewan. At home, several municipalities and companies expressed an interest in participating in 2005.

As part of its ongoing commitment to customer service, in 2004 the Corporation implemented a privacy policy consistent with those of other Saskatchewan Crown corporations. This policy, which adheres to privacy principles developed by the Canadian Standards Association, will further safeguard customers' personal information. By year's end, a bill insert explaining the policy had been sent to all customers, and 98.6 per cent of SaskEnergy/TransGas employees – including all front-line staff – had participated in online privacy training seminars. In addition, a privacy section was created at www.saskenergy.com to help customers understand how the Corporation collects, uses and protects their personal information.

TransGas e-business enhancements in 2004 involved making behind-the-scenes improvements to existing applications such as the web-based nominations system. These refinements will prepare the way for some significant web-based customer applications to be released in 2005. The secure section of www.transgas.com dedicated to business transactions saw roughly a 10 per cent increase in activity over 2003 – not surprising since 88 per cent of all TransGas customers now use the website to conduct business with the company.

SATISFACTION WITH TRANSGAS E-BUSINESS APPLICATIONS



Customers continued to show their satisfaction with TransGas e-business tools and web applications, rating them all above eight on a scale of one to 10 in a 2004 survey. These ratings were higher than those from a similar survey conducted in 2002.

Personalized Service Remains a Priority for TransGas

While it is important to develop and maintain an effective online presence, delivering personalized customer service will always be a major business focus. In 2004, TransGas continued to meet the ongoing challenge of addressing customers' individual needs through tools like the Customer Dialogue Process. Comprised of TransGas employees and representatives from 17 companies which make up 88 per cent of TransGas flow volumes, the Customer Dialogue Group allows customers to have input on TransGas service offerings, policies, capital expenditures and rate design. As part of the ongoing Customer Dialogue Process, the group holds several face-to-face meetings each year.

Working with an industry consultant over the course of 2003, the Customer Dialogue Group had reviewed the TransGas Rate Design and the Cost of Service Study which is used for rate design purposes. The consensus was that while TransGas used industry standard methods to design its rates, improvements could be made to certain areas of the process. During its four meetings in 2004, the group developed several specific rate design changes to simplify and improve rate structure fairness for different TransGas customer groups. TransGas implemented these changes on November 1 in conjunction with its second consecutive transportation service rate reduction – one which averaged 3.4 per cent across customer classes and was developed together with the Customer Dialogue Group.

After the Customer Dialogue Group conducted a review of TransGas' rate design policy, TransGas implemented a series of changes to its rate structure in November 2004. These included removing the basic monthly charge for large customers and the commodity charge for storage service and reducing the energy account charge for TEP service.

Other face-to-face meetings throughout the year delivered results for existing and potential TransGas customers. In June, TransGas conducted a one-day "Business Policies & Practices Workshop" in Calgary for new and long-time customers. Representatives from 85 companies improved their understanding of different TransGas business processes such as contracts, gas allocations, daily account balancing, nominations, storage services and invoicing.

TransGas and various Saskatchewan Government departments hosted approximately 150 delegates at a second one-day workshop in Calgary in November. Entitled "The Saskatchewan Natural Gas Advantage," it promoted investment in the upstream natural gas business in Saskatchewan. Each delegate received detailed information about all phases of natural gas development in Saskatchewan, from reserve location and land acquisition to transportation and marketing. Several companies have indicated the workshop has influenced them to look for the first time at investment opportunities in Saskatchewan's natural gas industry.

SaskEnergy Helps Customers Conserve Energy

The results of a 2004 Natural Resources Canada (NRCan) survey demonstrate the high level of service the Corporation provides for its customers. Conducted in the fall, this survey tested Canadians' knowledge of ENERGY STAR®, the international designation used to identify and promote energy-efficient appliances. In unaided questioning during which they were provided with limited information about ENERGY STAR, 39 per cent of Saskatchewan residents were aware of the designation and its significance – the highest percentage of any province, and a full 10 per cent above the national average.

SaskEnergy played a major role in building this level of ENERGY STAR awareness in Saskatchewan over the past few years. Understanding the importance of helping customers conserve energy, save money and protect the environment, starting in 2001 SaskEnergy began helping homeowners secure prime rate loans to purchase energy-efficient natural gas appliances. SaskEnergy was the first natural gas utility in Canada to provide this service.

Over that time, prime rate loan programs have become important customer service offerings for everyone involved. They have utilized an effective partnership with the SaskEnergy Network that serves communities across the Province. Loan initiatives have also helped NRCan work toward its goal of encouraging Canadians to use non-renewable resources wisely. Perhaps most importantly, to the end of 2004, they had provided $38.3 million in prime rate loans so more than 10,000 customers could upgrade their natural gas appliances and save approximately $8.6 million in interest and energy costs annually.

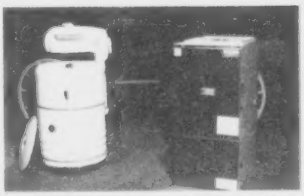
By 2004, more than 30 per cent of all new furnaces shipped to Saskatchewan were ENERGY STAR-qualified, compared to only 1.6 per cent in 2001. This statistic shows how effective SaskEnergy's efforts have been to help customers upgrade outdated furnaces and boilers. The prime rate loan programs have helped create more efficient SaskEnergy customers who over the long term will continue to rely on natural gas for their heating needs while at the same time reducing their individual greenhouse gas emissions by approximately 2.2 tonnes annually.

Saskatchewan residents are becoming increasingly aware that purchasing efficient heating equipment is only part of the overall energy conservation picture – it is equally important to maintain existing furnaces so they run at peak efficiency. In a survey first conducted in 1998, only 18 per cent of Saskatchewan homeowners had their furnaces professionally serviced each year, a number that had more than doubled to just over 40 per cent when a follow-up survey was conducted in 2004. This substantial increase is due in large part to SaskEnergy's ongoing efforts to educate customers how important it is for their home heating systems to operate safely, reliably and efficiently.

SaskEnergy Network Member

The SaskEnergy Network is made up of more than 140 Saskatchewan-based private-sector retailers and contractors who deliver a variety of natural gas services in the Province.

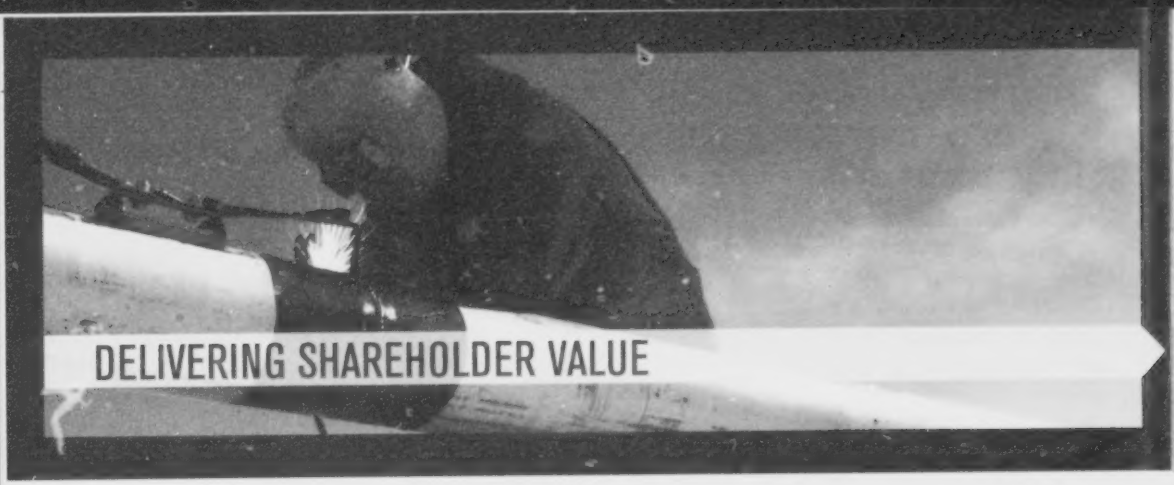
On May 26, David Oulton of Natural Resources Canada presented Jacquie Kerr (left) and Judy Dunitz (right) of SaskEnergy with the "ENERGY STAR Promotional Campaign of the Year" award. This award singled out the Corporation and its ENERGY STAR Loan Event for "significant contribution toward improving energy efficiency and reducing greenhouse gas emissions that contribute to climate change."



These days, you have to go to a museum to see a wringer washer, but unfortunately, many people simply have to go into their basements to see outdated and inefficient furnaces or boilers from the same era. For this reason, Saskatoon's Western Development Museum was the perfect setting to launch the 2004/2005 ENERGY STAR Loan Event, which will be in place until March 31, 2005.

Along with SaskPower, in 2004 SaskEnergy continued to promote NRCan's EnerGuide for Houses program in which a certified professional analyzes a home's energy efficiency and provides the homeowner with a report detailing how energy dollars can be saved. SaskEnergy also allows customers to book EnerGuide for Houses energy audits online and incorporate the cost into their monthly SaskEnergy bills.

Sometimes the simplest solutions are most effective for conserving energy. Each year, the *energycheck* online home energy audit is a popular self-service energy conservation offering at www.saskenergy.com, and more than 12,000 customers have used this free service to better understand their home energy usage. Approximately 9,000 homeowners visited the Home Energy-Saving Tips section of the website in 2004 to find solutions as simple as opening drapes on south-facing windows during the day to take advantage of the sun's natural warmth. Through media interviews and contesting that supplemented regular advertising, SaskEnergy communicated these simple but effective solutions to more customers than ever before, working with Saskatchewan residents to meet the ongoing challenge of conserving natural gas to reduce both costs and greenhouse gas emissions.



DELIVERING SHAREHOLDER VALUE

Core Operations Delivering Results

In terms of core operations, 2004 was one of the most successful years in the Corporation's history, with both major business segments – SaskEnergy's distribution utility and the TransGas transmission and storage utility – posting solid years.

A higher than expected number of customer connections in the Province helped SaskEnergy generate $162 million in natural gas delivery revenue despite a 2004 prime heating load season that was four percent warmer than normal. At the same time, SaskEnergy maintained commodity and delivery rates throughout 2004 that together were the second-lowest in Canada.

TransGas reduced its transportation rates for the second consecutive year in 2004, in part due to increased volumes of natural gas transported from the Shackleton Reserve Area. These increased flows, coupled with fully contracted storage service, led to transportation and storage revenue of $88 million – $7 million more than in 2003.

As a result, the Corporation's core operations – transmission, distribution and storage of natural gas in Saskatchewan – delivered strong financial results. Net earnings from utility operations were $33 million, up from $31 million in 2003.

Optimizing Our Saskatchewan Assets

In a mature Saskatchewan market where the average homeowner's annual natural gas usage has declined by approximately one per cent per year for the last decade, growing our business to help keep rates stable and the Corporation financially healthy will always be a challenge. For this reason, SaskEnergy continually searches for opportunities to deliver additional enterprise value.

While SaskEnergy does not profit from the sale of natural gas to its distribution customers, it can profit from using transmission and storage capacity in its network during off-peak periods to buy and sell natural gas at a margin. In 2004, SaskEnergy used its market expertise to purchase and re-sell natural gas, contributing a margin as well as incremental transportation revenue to the Corporation. With market prices expected to remain volatile, this type of natural gas marketing will remain an important means by which expertise in core operations can translate into additional revenue for the Corporation while keeping rates stable.

Bayhurst Gas Limited (Bayhurst), a wholly owned subsidiary, also provided a natural gas marketing opportunity for the Corporation in 2004. Bayhurst owns natural gas fields in west-central Saskatchewan that are no longer used as a commercial storage operation. For more than a decade, the Corporation has marketed the existing field gas, generating incremental revenue. In 2004, as in 2003, total revenue from Bayhurst and other natural gas marketing activities was $37 million.

In total, the Corporation's consolidated net earnings increased by $67 million over 2003 to $108 million in 2004. More than one-third of the total net earnings – $38 million – was attributed to a positive margin on commodity sales. This positive margin resulted in a partial recovery of losses on commodity sales from 2002 and 2003 when SaskEnergy's commodity rate did not reflect the actual cost of gas the distribution utility purchased on behalf of its customers. During those periods of volatile natural gas prices in 2002 and early 2003, SaskEnergy kept its commodity rates stable. As a result, over that time the distribution utility incurred losses on the sale of natural gas to its customers.

Since adjusting its commodity rates in May 2003, the Corporation has recovered a portion of these past losses, including $23 million in 2004. As of December 31, 2004, a deficit of $25 million was yet to be recovered. This $25 million is tracked in an account referred to as the Gas Cost Variance Account (GCVA). The balance in the GCVA will be taken into account in setting future commodity rates.

Growing Our Business Outside Saskatchewan

In recent years the Corporation has pursued select business opportunities outside the Province. These carefully considered investments are forecast to generate additional revenue by building on our strongest asset – our employees and the expertise they use to meet the challenge of operating our core business in Saskatchewan every day.

SaskEnergy International Incorporated (SEII) was formed as a wholly owned subsidiary in 1996 to capitalize on natural gas-related opportunities abroad. SEII has invested in two natural gas companies – Gas Sur S.A. (Gas Sur) and Integrated Gas Services de Mexico, S. de R.L. de C. V. (Igasamex). SEII holds a 30 per cent equity interest in Gas Sur and a 40.1 per cent equity interest in Igasamex.

Gas Sur, a natural gas distribution company serving the eighth region of Chile, had its strongest operational year to date in 2004. The company connected over 4,500 new customers in 2004 – roughly 900 more than projected – bringing the total number of customers to approximately 26,800. Total 2004 sales volumes of approximately 836,000 GJ were 20 per cent greater than in 2003, and Gas Sur's net earnings of $1.3 million were $0.9 million higher than the previous year.

Igasamex continued to be profitable in 2004, with net earnings of $0.4 million. During the year, the company added three new pipelines, bringing the total to 20 through which it currently transports natural gas to over 70 Mexican industrial natural gas users. Based on the company's 2004 business development efforts, Igasamex expects to flow natural gas to a number of new industrial customers in 2005. Igasamex is the only company on a national level providing natural gas service to new industrial customers in Mexico. As such, it is well-positioned to capitalize on the increasing energy demands of Mexico's large industrial sector.

Swan Valley Gas Corporation (SVGC) is SaskEnergy's wholly owned subsidiary providing natural gas service to the Swan Valley area of Manitoba. Created in 2000 to own and operate a natural gas distribution utility in western Manitoba, SVGC serves approximately 200 residential and industrial customers in Swan River, Minitonas and Benito. With the market price of natural gas having approximately doubled since 2000, new customer connections have posed a challenge, resulting in lower revenue than originally anticipated in SVGC's initial years of operation. Through cost-reduction efforts and increased revenue from existing customers, however, SVGC is expected to reach profitability by 2006. In 2004, SVGC achieved a break-even position.

Heritage Gas Limited (Heritage Gas) is the natural gas distribution company in which SaskEnergy holds a 50.1 per cent interest and Scotia Investments Limited and AltaGas Services Inc. together own the remaining 49.9 per cent. After accepting a 25-year franchise in June 2003 to deliver natural gas in six Nova Scotia counties, Heritage Gas worked quickly to begin serving customers in one of North America's last undeveloped markets. By January 2004, natural gas was already flowing to Heritage Gas's first residential and commercial customers in Dartmouth.

Today, Gas Sur serves approximately 26,800 customers in the Chilean city of Concepción/Talcahuano and surrounding area.

In January, residents of the Crichton Park area of Dartmouth began burning natural gas. Bruce Sutherland, Heritage Gas's first customer, celebrated by using his natural gas barbecue for the first time.

During 2004, Heritage Gas expanded its distribution system based on the model that has successfully brought service to more than 327,000 Saskatchewan customers. In May, for example, the company announced the creation of the Heritage Gas Network, an alliance of 18 qualified independent retailers and contractors who will give customers easier access to natural gas equipment and services. Heritage Gas also joined with NRCan and the Nova Scotia Department of Energy to establish a rebate program that provides funding to help customers purchase ENERGY STAR qualified natural gas equipment and cover some of their natural gas conversion costs. By year's end, most of Heritage Gas's more than 100 customers had used the rebate program to help purchase heating equipment from Heritage Gas Network members. SaskEnergy's share of Heritage Gas's net earnings in 2004 was $0.6 million.

The opportunities to grow SaskEnergy's net earnings and deliver increased shareholder value in the coming years are diverse – natural gas marketing and storage opportunities at home, the operation of distribution utilities in other provinces, and investments in natural gas transmission and distribution companies abroad. Even so, they all have one feature in common: they depend on the expertise of the employees who operate our core business in Saskatchewan. More than 50 years of providing world-class natural gas service for Saskatchewan residents has taught us this – to meet the challenges of tomorrow, we must build on our strengths today.

Board of Directors

Standing, left to right: Florence Linantud, Ralph Hesje, Jean Weimer, Mervyn Simon, Heather Heavin, George Lafond, Nadine Krenosky, Eldon Lindgren
Seated, left to right: Mike Charlton, Dawn Stanger (Board Secretary)

Executive Committee

Doug Kelln, President and Chief Executive Officer (effective November 26, 2004)
Senior Vice President, Distribution Utility (to November 26, 2004)

Larry Braun, President, Communications, Energy & Paperworkers (CEP) Union, Local 649

David Easton, President, SaskEnergy International Incorporated

Ken From, Senior Vice President, Gas Supply

Mark Guillet, Vice President, General Counsel & Corporate Secretary

Robert Haynes, Vice President, Human Resources

Colleen Huber, Vice President, Information Systems

Bob Kane, Acting Vice President, Distribution Utility (effective December 1, 2004)

Greg Mrazek, Vice President, Finance & Administration and Chief Financial Officer

Ron Podbielski, Executive Director, Corporate Affairs

Daryl Posehn, Vice President, TransGas Limited

Dean Reeve, Executive Vice President, SaskEnergy
Acting President and Chief Executive Officer (from June 21, 2004 to November 26, 2004)

Ronald S. Clark, President and Chief Executive Officer (resigned effective July 16, 2004)

FIVE-YEAR OPERATING SUMMARY – DISTRIBUTION

	2004	2003	2002	2001	2000
Sales in million cubic metres[1]	**3,692**	3,686	3,419	3,151	3,501
Residential annual average usage (cubic metres)	**3,287**	3,420	3,478	3,173	3,497
Degree days[2]	**5,844**	5,817	5,987	5,390	5,864
Customers at year end[3]	**327,586**	325,504	323,721	321,612	320,340
PIPELINE (km)					
Distribution Utility					
Local Distribution Company	**65,712**	65,559	65,371	65,223	64,744
Swan Valley Gas Corporation	**120**	120	120	120	120
	65,832	65,679	65,491	65,243	64,864

[1] Retail, industrial and gas marketing.
[2] A unit measuring the extent to which the temperature falls below 18° Celsius. (In a normal year, the degree days are 5,740.)
[3] Number of active services.

FIVE-YEAR OPERATING SUMMARY – TRANSMISSION

	2004	2003	2002	2001	2000
PIPELINE (km)					
TransGas Limited					
Transmission	**13,464**	13,358	13,216	13,097	13,067
Gathering	**199**	197	289	286	286
Many Islands Pipe Lines (Canada) Limited	**435**	435	435	454	434
Bayhurst Gas Limited	**92**	92	-	-	-
	14,190	14,082	13,940	13,837	13,787
COMPRESSOR STATIONS					
TransGas Limited	**22**	22	22	22	22
Many Islands Pipe Lines (Canada) Limited	**1**	1	1	1	1
Bayhurst Gas Limited	**3**	3	-	-	-
	26	26	23	23	23
COMPRESSION HORSEPOWER					
TransGas Limited	**93,550**	93,550	100,620	100,620	100,375
Many Islands Pipe Lines (Canada) Limited	**-**	4,000	4,000	4,000	4,000
Bayhurst Gas Limited	**6,300**	6,300	-	-	-
	99,850	103,850	104,620	104,620	104,375
Peak day natural gas flows (Petajoules)	**1.48**	1.46	1.30	1.30	1.36
Date of peak day flow	**Jan. 27**	Jan. 22	Jan. 28	Feb. 26	Dec. 11
Storage cavern sites	**7**	7	7	7	7
Storage caverns	**22**	23	23	23	24
Storage field sites	**2**	2	3	3	3
Producing field sites	**1**	1	-	-	-

[1] Effective January 2003, the Beacon Hill storage field assets were transferred from TransGas Limited to Bayhurst Gas Limited (an affiliate).

SaskEnergy

1000-1777 Victoria Avenue, Regina, Saskatchewan S4P 4K5
www.saskenergy.com

For additional copies of this year's Annual Report,
please call SaskEnergy at (306) 777-9378 or visit our website.

This is part of a three-book set consisting of the Annual Report 2004,
Management's Discussion and Analysis 2004 and Corporate Social Responsibility Report 2004.

MEETING THE CHALLENGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) highlights the primary factors that impacted the operations and financial results of SaskEnergy Incorporated (SaskEnergy or the Corporation) and its wholly owned subsidiaries for the year ended December 31, 2004. The MD&A provides a narrative explanation of the Corporation's past performance and a description of its future prospects. This enables readers to view SaskEnergy from the perspective of management. This MD&A, together with the 2004 audited consolidated financial statements of the Corporation and related notes contained in this booklet, forms the basis for financial reporting. Additional information about the Corporation can be obtained from the Annual Report and the Corporate Social Responsibility Report booklets that together with this MD&A comprise the SaskEnergy 2004 business reporting package.

This discussion contains certain forward-looking statements that are subject to inherent uncertainties and risks. Risks are outlined in the Risk Management section of this MD&A. Consequently, actual results and events may vary significantly from those included in, contemplated or implied by such statements.

To meet the readers' need to understand SaskEnergy's operations and financial results, information is organized as follows:

2 **Overview**
An introduction to SaskEnergy and its wholly owned subsidiaries.

3 **Business Focus and Strengths**
A brief description of the business focus of SaskEnergy and its wholly owned subsidiaries.

4 **Financial and Operating Achievements**
A review of SaskEnergy's consolidated financial results and performance measurement.

7 **Statement of Earnings Analysis**
An analysis of SaskEnergy's consolidated revenue and expense categories and a discussion of the financial results of its wholly owned subsidiaries.

15 **Liquidity and Capital Resources**
A review of the Corporation's financial condition and cash flow.

16 **Risk Management**
A description of the business and financial risks identified by the Corporation, their potential impacts, and how they are managed.

18 **Outlook**
A discussion of the Corporation's financial and operating goals given its current expectation of future events and their bearing on prospective results.

20 **Accounting Policies and Estimates**
An overview of significant accounting policies and estimates used by the Corporation.

CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

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22 Auditors' Report

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24 Consolidated Statement of Earnings and Retained Earnings

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Overview

SaskEnergy is a provincial Crown corporation and a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), the holding company for Saskatchewan's commercial Crown corporations. The primary business of SaskEnergy and its wholly owned subsidiaries is the distribution, transportation and storage of natural gas within the Province of Saskatchewan. The Corporation owns assets of over $1 billion that provide access to the North American natural gas transmission system. The expertise gained from the operation of these assets has been utilized for investment in natural gas transmission and distribution facilities in Manitoba, Nova Scotia, Chile, and Mexico. SaskEnergy is well-positioned to provide core business excellence for the Province and its residents. SaskEnergy's secondary business activities are conducted through its wholly owned subsidiaries to provide key support services and to compliment core business.

Delivery Service

Delivery service represents approximately 55 per cent of SaskEnergy's revenue at $162 million for 2004. SaskEnergy and its wholly owned subsidiaries' activities related to delivery service include natural gas distribution service to:

- More than 327,000 customers within the Province of Saskatchewan;
- The Swan Valley area of Manitoba through Swan Valley Gas Corporation, and
- A distribution franchise in Nova Scotia, through SaskEnergy Nova Scotia Holdings Ltd.'s 50.1 per cent equity interest in Heritage Gas Limited.

Transportation and Storage Service

Transportation and storage service represents approximately 30 per cent of SaskEnergy's revenue at $88 million for 2004. SaskEnergy's two wholly owned subsidiaries that operate transportation and storage facilities are:

- TransGas Limited (TransGas), which owns and operates the natural gas transmission pipeline system within the Province as well as a non-regulated natural gas storage business that is integral to the transmission operations, and
- Many Islands Pipe Lines (Canada) Limited which owns 11 transmission pipeline interconnections into Alberta, two into the United States, and one into Manitoba.

Net Sales from Gas Marketing, Support Businesses and Equity Investments

SaskEnergy's other natural gas related activities represent approximately 15 per cent of SaskEnergy's revenue at $42 million for 2004. This revenue is generated primarily from natural gas sales by a wholly owned subsidiary, Bayhurst Gas Limited, as well as natural gas marketing activities by SaskEnergy. Royalty revenue is earned on properties also owned by Bayhurst Gas Limited. The remaining activities relate to SaskEnergy's core business expertise including services provided by SaskEnergy's wholly owned subsidiary, Saskatchewan First Call Corporation which operates an underground infrastructure facility inquiry location database in Saskatchewan, and SaskEnergy International Incorporated which holds two international equity investments in natural gas related businesses in Chile and Mexico.

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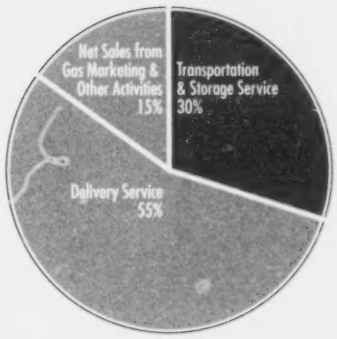
REVENUE* 2004



* Does not include Commodity Revenue

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Business Focus and Strengths

SaskEnergy's primary operations are conducted within Saskatchewan through two major business segments – natural gas distribution and transmission. As these two business segments are in a mature stage of development, SaskEnergy's primary business focus is to achieve core business excellence. As a result, the Corporation directs its efforts and uses its strengths to:

- Ensure the safe and reliable operation of the pipeline systems,
- Provide customer service excellence, and
- Offer fair and competitive rates.

Serving customers' needs through a safe and reliable system is paramount. The operations consist of over 80,000 kilometres of natural gas distribution and transmission pipelines, including some that were placed in service over fifty years ago. The management of these pipeline assets requires the use of innovative technologies to operate the system at the lowest possible cost and with the highest possible efficiency. System integrity is essential to the safe and reliable operation of the pipeline facilities. Accordingly, the Corporation has a long-term strategy which establishes annual priorities and provides technical solutions to lower the risks to its operations.

SaskEnergy has the capabilities and resources necessary to provide excellent service to new and existing customers. The Corporation's employees are trained to maintain high standards and possess exceptional service attitudes. The workforce is highly skilled, with expertise gained through many years of experience. In addition, customer service excellence is enhanced through the application of the latest technologies.

In September 2003, the Premier of the Province committed to provide Saskatchewan's residents with the lowest-cost bundle of basic utilities in Canada, which includes natural gas used for home heating purposes. Each year for the past decade, SaskEnergy's rates have been either the lowest or second lowest among major natural gas utilities in Canada, and were the second lowest in 2004. The last natural gas rate increase by SaskEnergy for delivery service within the Province occurred in 1997. Also, natural gas transportation rates charged by TransGas have decreased in each of the past two years. The Corporation works to achieve these results through a rate-setting process founded upon the continual pursuit of cost efficiencies.

While the Corporation focuses on prudent cost management and resource allocation to keep rates low, customers strive to minimize their own energy costs. Major technological advances in the efficiency of home, commercial and space heating have been beneficial. However, sustained high natural gas prices have necessitated a stronger approach to energy efficiency, so SaskEnergy seeks to increase customers' energy conservation awareness. The Corporation achieves its own operational efficiency through the use of new technologies and other cost-effective solutions.

SaskEnergy will continue to search for ways to store and transport natural gas safely and efficiently. The Corporation will also use new tools, technologies and processes to provide operational and customer service excellence. For example, since the late 1990s, the Corporation has used an in-line inspection tool to detect early signs of pipeline corrosion. Over the past two years, SaskEnergy has developed and refined My Account Online, providing a cost-effective and user-friendly alternative to mailing out bills. Through initiatives such as these, SaskEnergy will be well-positioned to meet the challenges of the future.

Financial and Operating Achievements

SaskEnergy's consolidated net earnings for 2004 were $108 million, which was an increase of $67 million from 2003 primarily due to the partial recovery of losses on commodity sales in previous years. SaskEnergy had losses on commodity sales to distribution utility customers of $25 million and $27 million in 2002 and 2003 respectively. During 2004, the Corporation partially recovered these commodity sales losses resulting in a commodity sales margin of $38 million.

Net earnings from operations are comprised of net earnings from utility operations and net sales from gas marketing. Net earnings from utility operations were $33 million in 2004 compared to $31 million in 2003 primarily due to higher transportation receipts, partially offset by lower delivery revenue. Net sales from gas marketing were $37 million, consistent with 2003.

Gain (Loss) from Commodity Sales

SaskEnergy's services to distribution utility customers include both natural gas delivery and commodity supply. The Corporation purchases natural gas for resale to the majority of these customers and over the long term neither earns a profit nor incurs a loss on the sale of commodity. However, a profit or a loss on commodity sales may occur during a fiscal period. In 2002 and 2003, the commodity rate charged by the distribution utility did not reflect the actual cost of natural gas purchased on behalf of its customers. SaskEnergy experienced commodity sales losses in these years which together totaled approximately $52 million. Commodity rate changes were established to provide an offsetting recovery in subsequent periods. The commodity rate recommended by the Saskatchewan Rate Review Panel and approved by Cabinet effective August 1, 2003, remained in place in 2004 to support the recovery of the losses from commodity sales incurred in 2002 and 2003. Accordingly, during 2004 SaskEnergy partially recovered the commodity sales revenue shortfall from previous years earning a $38 million commodity sales margin.

Net Earnings from Operations

Net Earnings from Utility Operations

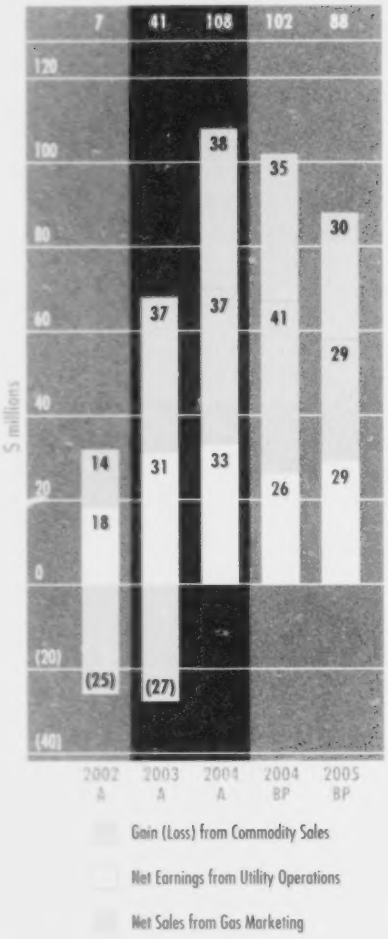
SaskEnergy has two major natural gas utility business segments: distribution and transmission (including natural gas storage operations). In 2004, utility operations generated earnings of $33 million. Delivery revenue was $162 million which was $3 million lower than 2003 primarily due to warmer weather during the prime heating load season in 2004. Transportation and storage revenue was $88 million, which was $7 million higher than 2003 resulting from higher transportation revenue related to increased flows from a new natural gas reserve development area in the Province.

Net Sales from Gas Marketing

Net sales from gas marketing includes natural gas sales from underground storage fields and competitive gas sales. In 2004, as in 2003, these activities generated net earnings of $37 million.

In 2004, SaskEnergy had strong financial results primarily due to the $38 million positive margin earned on commodity sales and net earnings from operations of $70 million. The annual dividend to CIC of $70 million is 65 per cent of the 2004 consolidated net earnings of $108 million.

CONSOLIDATED NET EARNINGS



Performance – Consolidated Results

YEAR-OVER-YEAR PERFORMANCE

	2003	2004
Financial Achievements ($ millions)		
Consolidated net earnings	41	**108**
Total assets	1,235	**1,286**
Long-term debt	663	**676**
Operating Achievements		
Distribution		
Volumes distributed (Petajoules)	137	**135**
Weather compared to the thirty-year average	Two per cent colder	**Two per cent colder**
Average purchase price per Gigajoule of natural gas ($)	6.35	**6.44**
Transmission		
Volumes transported (Petajoules)	354	**358**
Peak day natural gas flows (Petajoules)	1.46	**1.48**
Date of peak day flow	January 22	**January 27**

The earnings of a natural gas utility business in Saskatchewan are subject to seasonal fluctuations. The earnings are sensitive to variations in the weather, particularly in the first and fourth quarters as November to March is considered the prime heating load season. The following is a summary of 2004 consolidated quarterly performance:

QUARTERLY PERFORMANCE

	Quarter ended March 31	Quarter ended June 30	Quarter ended September 30	Quarter ended December 31	Year ended December 31
Financial Achievements ($ millions)					
Consolidated net earnings	45	12	8	43	**108**
Total assets	1,189	1,172	1,189	1,286	**1,286**
Long-term debt	662	641	639	676	**676**
Operating Achievements					
Distribution					
Volumes distributed (Petajoules)	50	25	20	40	**135**
Weather compared to the thirty-year average	Normal	Twenty-two per cent colder	Thirty-four per cent colder	Seven per cent warmer	**Two per cent colder**
Average purchase price per Gigajoule of natural gas ($)	6.26	6.45	6.31	6.72	**6.44**
Transmission					
Volumes transported (Petajoules)	105	81	78	94	**358**

Performance – Measurement

Each year SaskEnergy's Management and Board of Directors review the corporate strategic direction. This review takes into account the required elements of the Crown Sector Strategic Plan which was developed jointly by CIC and its subsidiaries. SaskEnergy's strategic corporate direction review forms the foundation of the annual business plan for the Corporation and its wholly owned subsidiaries.

Financial performance is measured against the key success factors through a process known as the Balanced Scorecard. The financial targets in the Balanced Scorecard are based on comparable performance measures for regulated Canadian natural gas distribution and transmission utilities.

DELIVERING SHAREHOLDER VALUE

Objectives	Measures	Actual 2002	Actual 2003	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Ensure the financial integrity of the organization and increase enterprise value through prudent growth and capital investment.	ANNUAL RETURN TO THE SHAREHOLDER ($ millions)									
	• Consolidated net earnings from operations	32	68	**70**	67	58	58	56	58	57
	• Dividend to Crown Investments Corporation	5	27	**70**[1]	66	57	38	36	41	51
	• SaskEnergy									
	- Rate of return on equity (%)	1.9	9.9	**11.0**	10.5	9.1	9.5	9.5	9.5	9.5
	- Rate of return on rate base (%)	4.9	7.8	**8.0**	7.8	6.8	7.0	6.8	6.6	6.7
	• TransGas									
	- Rate of return on equity (%)	12.3	14.4	**15.2**	11.0	11.0	10.5	10.5	10.5	10.5
	- Rate of return on rate base (%)	9.5	10.4	**10.6**	9.3	9.1	8.4	8.3	8.1	8.0
	FINANCIAL INTEGRITY									
	• Consolidated debt-to-equity ratio	73/27	72/28	**68/32**	72/28	68/32	68/32	67/33	65/35	64/36

[1] Dividends paid to Crown Investments Corporation take into account the margin on commodity sales. 2004 net earnings (which include this margin) were $107.8 million, generating a dividend of $70 million.

The Corporation has set targets to provide a fair return on investment to the owner in consideration of the risks of operating natural gas utilities in Saskatchewan. By setting appropriate targets for consolidated net earnings, the Corporation is able to provide industry-comparable returns measured as a rate of return on equity and a rate of return on rate base. This return is ultimately provided to CIC in the form of dividends. The dividend policy established by CIC requires dividends to be paid at a rate of 65 per cent of consolidated net earnings. The Corporation's long-term capital structure target for the consolidated entity is 65 per cent debt and 35 per cent equity.

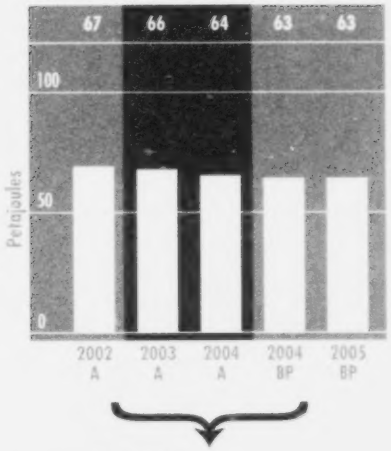
For discussion of actual year-over-year performance, associated targets and plans for achieving these performance targets refer to the statement of earnings analysis.

Statement of Earnings Analysis

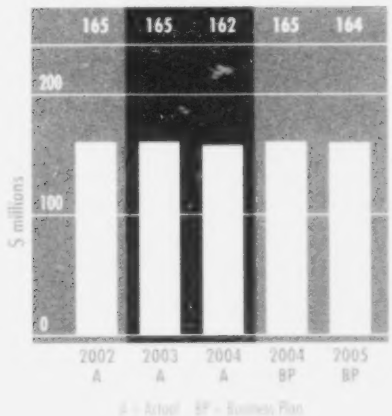
The following is an analysis of the 2004 financial results:

Revenue

VOLUMES DISTRIBUTED



DELIVERY REVENUE



A = Actual BP = Business Plan

Delivery Revenue

Delivery revenue is primarily driven by the volume of natural gas delivered to residential, farm, commercial and industrial customers in Saskatchewan. The majority of SaskEnergy's distribution customers consume natural gas for heating purposes. As a result the volume of natural gas distributed is sensitive to variations in the weather, particularly through the prime heating load season of November to March.

Delivery revenue totalled $162 million for 2004, which was $3 million less than 2003. Weather, as measured by heating degree days over the 2004 prime heating load season, averaged four per cent warmer than normal. Weather over the prime heating load season in 2003 was five per cent colder than normal. As a result, the year-over-year change in average heating load season temperatures negatively impacted the volume of natural gas delivered in 2004.

Factors which favourably impacted 2004 revenue include the addition of new customers and incremental revenue from service fees designed to recover costs incurred in providing services to specific customers. Lower than expected delivery rates caused revenue to fall below the 2004 Business Plan projections.

In 2004, 2,082 new customers (net of service retirements) were added contributing $1 million in incremental delivery revenue. These new customers consisted largely of new residences and businesses in Regina and Saskatoon.

Continued installation of energy-efficient furnaces and improved levels of building insulation are forecast to lower the average consumption per customer (excluding the impact of weather) in the future. The reduced natural gas consumption for heating purposes is partially offset by increased consumer interest in the purchase and installation of non-traditional appliances and higher industrial use.

Natural gas remains a critical energy source in this mature residential, commercial and industrial marketplace. At SaskEnergy, we are committed to providing solutions to meet customers' energy needs.

Transportation and Storage Revenue

During 2004, combined transportation and storage revenue was $88 million, compared to $81 million in 2003, primarily due to increased transportation of natural gas from new natural gas production areas.

Transportation revenue is determined mainly by the capacity contracted by shippers for natural gas receipts and deliveries. Transportation revenue for 2004 was $82 million, an increase of $7 million over 2003. The nine per cent increase was primarily attributable to incremental volumes from the recent natural gas development in the Shackleton area in the south-west region of the Province.

Natural gas well drilling in Saskatchewan continued at a strong pace during the year. There were 1,884 natural gas wells drilled in 2004 which was the second highest in the Province's history. This compares to the all-time record of 2,294 natural gas wells drilled in 2003. Much of the 2004 drilling activity in the Province focused in the southwest, primarily in the Hatton and Shackleton areas. However, increased drilling activity also occurred in the Kindersley and Lloydminister regions. As a result, Saskatchewan receipt volumes increased by approximately 15 Petajoules over 2003 levels. The majority of this increase was attributable to Shackleton receipt system volumes, which continue to flow at the rate of approximately 120 Terajoules per day (TJ/day). An additional Shackleton receipt system expansion became operational on October 12, 2004 and will accommodate further incremental volumes from this area.

On April 9, 2004, the amount of Saskatchewan natural gas transported onto TransGas' transmission pipeline hit a new daily record of 772 TJ/day. The Saskatchewan natural gas transported on that day was enough to heat nearly 6,000 homes for an entire year. This surpasses the previous record of 766 TJ/day set on December 23, 2003.

End-use customer demand in Saskatchewan increased by seven per cent from 2003, primarily due to capital expansion projects of large-scale industrial customers which were completed in 2003 and fully operational for all of 2004.

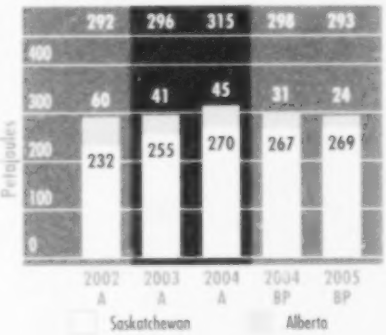
Storage revenue was $6 million in 2004. This was consistent with 2003, as storage capacity was fully contracted in both years.

Higher receipt volumes in each of 2003 and 2004 resulted in a decrease in transportation and storage service rates commencing January 1, 2004 (two per cent), and an additional reduction effective November 1, 2004 (3.4 per cent).

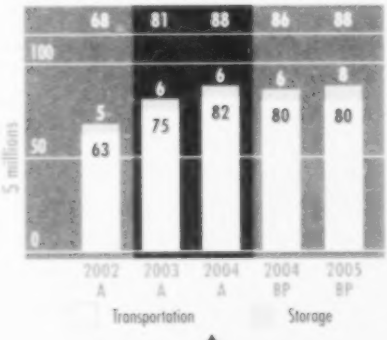
TransGas forecasts strong transportation revenue in 2005 as receipt volumes continue to flow from new natural gas producing areas. Storage revenue is expected to increase during 2005 as two of the four new storage caverns near Asquith, under development at December 31, 2004, become operational.

Each year, TransGas extends its network to connect new natural gas-producing areas and to maintain a highly reliable service to natural gas producers.

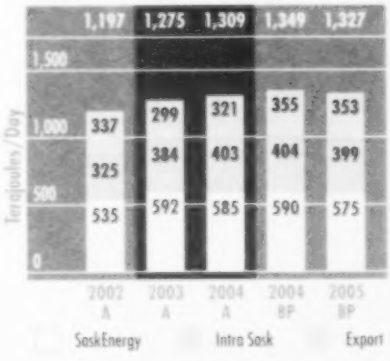
RECEIPTS FROM SASKATCHEWAN AND ALBERTA



TRANSPORTATION AND STORAGE REVENUE



DELIVERY CONTRACT DEMAND



A - Actual BP - Business Plan

Net Sales from Gas Marketing

The revenue earned and classified as net sales from gas marketing is generated from the following two activities:

Natural gas sales from storage fields

Natural gas is produced for sale from certain natural gas storage fields in Saskatchewan which are no longer used in commercial storage operations. In addition, the Corporation leverages its existing storage capacity to take advantage of opportunities that arise in the open market.

Competitive gas sales

Gas marketing activities are designed to maximize use of the natural gas distribution utility's transmission and storage capacity during off-peak periods. To fully utilize this contracted capacity, the distribution utility may purchase and sell natural gas in the open market to earn a margin. SaskEnergy also offers contracts to supply natural gas to large end-use customers in Saskatchewan through a competitive bidding process.

During 2004, as in 2003, net sales from gas marketing were $37 million.

Revenue Collected for Municipalities

In accordance with the provisions of *The SaskEnergy Act*, the Corporation is required to collect and remit revenue collected on behalf of specified urban municipalities. These municipal payments are charged to customers and reported as revenue with an equal and offsetting expense on the statement of earnings. The revenue collected for municipalities in 2004 was $24 million, consistent with 2003.

Other Revenue

The Corporation owns a gross overriding royalty on approximately 450 natural gas producing properties located in Saskatchewan and Alberta whereby it receives payments in accordance with the terms and conditions of the royalty interest. The 2004 royalty earnings were $5 million compared to $6 million in 2003.

Expenses

Operating and Maintenance

Operating and maintenance expenses were $118 million in 2004 compared to $113 million in 2003.

The natural gas distribution and transmission pipeline systems require substantial monitoring and maintenance. This is especially challenging given their extensive dispersion throughout the Province. As a result, labour costs comprise approximately 61 per cent of the annual operating and maintenance expenses. The need for additional maintenance and the demands placed on the systems by the exceptionally cold weather experienced in January 2004 increased labour costs by approximately $4 million over 2003 levels.

The natural gas systems are also aging, with some of the infrastructure having been in service for 50 years. To meet customers' reliability expectations and achieve high standards for safety, additional maintenance costs were incurred for the replacement of existing components and upgrades to the systems. As a result, maintenance costs were approximately $1 million higher than the prior year.

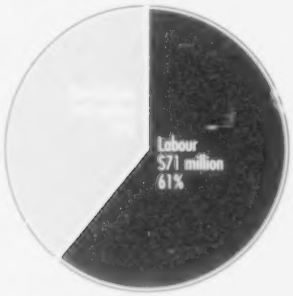
The cold weather impact in January 2004, as noted above, also required natural gas to be transported into Saskatchewan from Alberta. These additional natural gas volumes increased pipeline transportation costs paid to third parties by approximately $1 million compared to 2003.

In 2004, the natural gas from certain production areas of Saskatchewan required heating value enhancement to meet transmission pipeline standards. As a result, an additional $1 million was spent to ensure these natural gas volumes met specification.

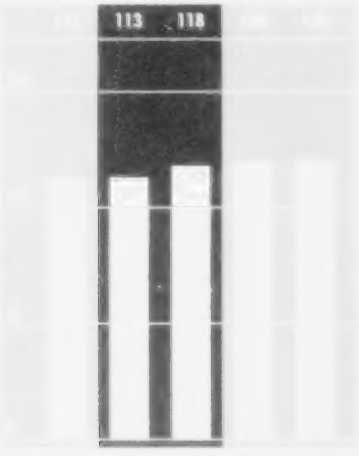
As the market price of natural gas has increased substantially in recent years, customers have experienced some additional difficulty in paying their bills. Although SaskEnergy assists customers in dealing with these challenges, the magnitude of the increase in the market price has caused the Corporation's bad debt provision to rise over 2003 levels by approximately $1 million.

Other operating and maintenance increases include higher vehicle maintenance and fuel costs. In addition, efforts to promote energy conservation led SaskEnergy to extend the Energy Star® Loan Event which helps customers secure prime rate loans to purchase energy-efficient heating equipment. These increases were partially offset by a decrease in the amount of energy consumed in operations.

OPERATING AND MAINTENANCE
2004



OPERATING AND MAINTENANCE



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The natural gas systems are also aging, with some of the infrastructure having been in service for 50 years. To meet customers' reliability expectations and achieve high standards for safety, additional maintenance costs were incurred for the replacement of existing components and upgrades to the systems. As a result, maintenance costs were approximately $1 million higher than the prior year.

The cold weather impact in January 2004, as noted above, also required natural gas to be transported into Saskatchewan from Alberta. These additional natural gas volumes increased pipeline transportation costs paid to third parties by approximately $1 million compared to 2003.

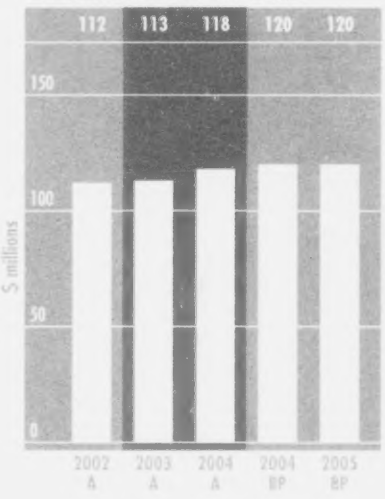
In 2004, the natural gas from certain production areas of Saskatchewan required heating value enhancement to meet transmission pipeline standards. As a result, an additional $1 million was spent to ensure these natural gas volumes met specification.

As the market price of natural gas has increased substantially in recent years, customers have experienced some additional difficulty in paying their bills. Although SaskEnergy assists customers in dealing with these challenges, the magnitude of the increase in the market price has caused the Corporation's bad debt provision to rise over 2003 levels by approximately $1 million.

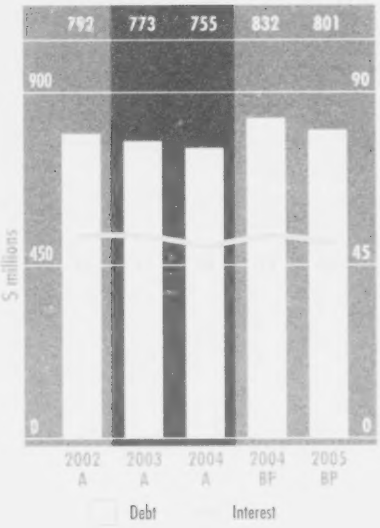
Other operating and maintenance increases include higher vehicle maintenance and fuel costs. In addition, efforts to promote energy conservation led SaskEnergy to extend the Energy Star® Loan Event which helps customers secure prime rate loans to purchase energy-efficient heating equipment. These increases were partially offset by a decrease in the amount of energy consumed in operations.

OPERATING AND MAINTENANCE 2004

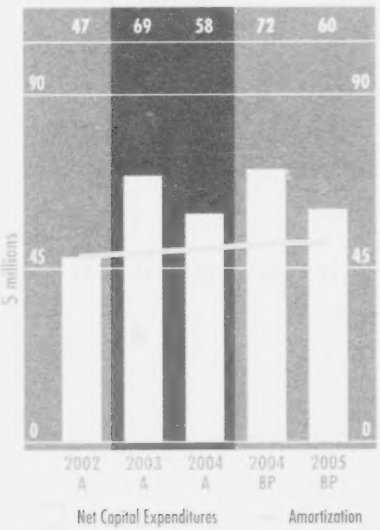
OPERATING AND MAINTENANCE



DEBT AND INTEREST



CAPITAL EXPENDITURES (Net of Customer Capital Contributions) AND AMORTIZATION



A = Actual BP = Business Plan

Interest

Interest of $49 million was $3 million lower than 2003 primarily as a result of lower debt balances. During 2004 short-term debt balances averaged $53 million compared to $96 million in 2003, essentially due to the partial recovery of losses incurred on commodity sales in 2002 and 2003. In addition, SaskEnergy realized a reduction of $1 million in long-term debt costs largely due to the repayment of approximately $35 million of long-term debt which had an average interest rate of 12.1 per cent. This debt was replaced in December 2004 with a ten-year debenture having an effective interest rate of 4.7 per cent.

Amortization

Amortization of $50 million was $1 million higher than 2003 as certain multi-year capital projects were completed and placed into service in 2004. These projects included the completion of the second phase of capital expansion at the Shackleton discovery area, the OneWorld single software solution project and the TransGas Supervisory Control and Data Acquisition (SCADA) software upgrade project.

Payments to Municipalities

In accordance with the provisions of *The SaskEnergy Act*, the Corporation is required to collect and remit payments to specified urban municipalities. Payments to municipalities include grants in lieu of property taxes and payments based on the value of natural gas transported on customers' behalf. The payments to municipalities in 2004 were $24 million, consistent with 2003.

Saskatchewan Taxes

The Corporation makes payments to the Province in the form of corporate capital taxes on capital employed. Payments also include mitigation payments and property taxes. The combined amount of these Saskatchewan taxes was $6 million which is comparable to 2003.

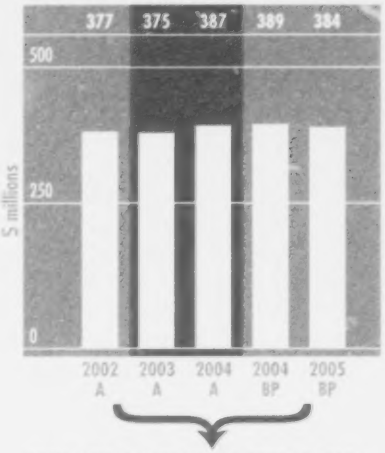
Gain (Loss) from Commodity Sales

SaskEnergy is the supplier of natural gas to the vast majority of its more than 327,000 delivery customers in the Province. Similar to practices in other regulated Canadian jurisdictions, SaskEnergy's commodity rates are designed to ensure that, in the long term, the Corporation neither profits from nor incurs a loss on the sale of natural gas to its commodity customers. The rates for the sale of the commodity are subject to review by the Saskatchewan Rate Review Panel and are regulated by Cabinet.

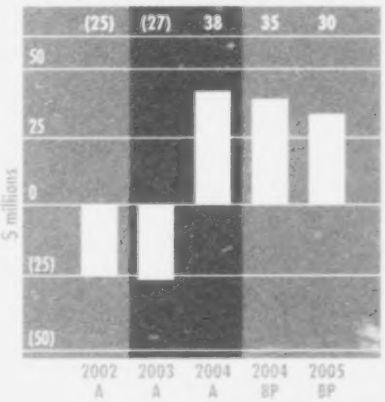
The commodity rate of $6.97 per Gigajoule effective August 1, 2003 was in place throughout 2004. During 2004, a positive commodity margin of $38 million was earned, which resulted in SaskEnergy recovering a portion of the commodity sales losses that occurred in both 2002 and 2003.

Using natural gas efficiently can help you lower costs in every area of your home, save energy and contribute to a cleaner environment.

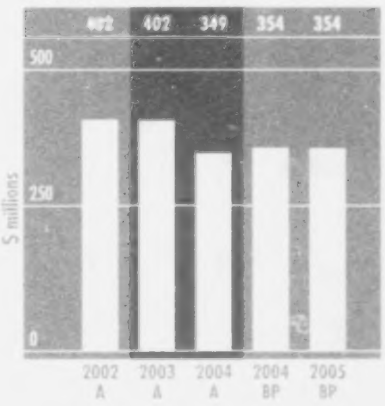
COMMODITY SALES REVENUE



GAIN (LOSS) FROM COMMODITY SALES



COMMODITY COST OF GAS



A = Actual BP = Business Plan

Wholly Owned Subsidiaries

Bayhurst Gas Limited (Bayhurst)

Bayhurst owns, produces and sells natural gas from storage-related assets and holds natural gas royalty interests. Net revenue from natural gas sales related to the operation of the storage-related assets in 2004 was $27 million, $4 million lower than 2003 due to a decrease in volumes sold. In 2004, Bayhurst also had earnings from royalty interests of $5 million compared to $6 million in 2003.

Many Islands Pipe Lines (Canada) Limited (MIPL(C)L)

MIPL(C)L owns and operates 14 natural gas transmission pipelines which interconnect with other pipeline facilities into Alberta, the United States and Manitoba. In 2004, MIPL(C)L was in a break-even position which was $0.2 million lower than 2003.

Swan Valley Gas Corporation (SVGC)

SVGC was formed in 2000 to own and operate a natural gas distribution utility in the Swan Valley area of western Manitoba. New customer connections have not occurred as expected resulting in lower revenue than originally anticipated. SVGC achieved a break-even position in 2004 compared to a loss of $0.5 million for 2003. Through cost reduction efforts and increased revenue from existing customers, SVGC is expected to reach profitability by 2006.

SaskEnergy Nova Scotia Holdings Ltd.

SaskEnergy Nova Scotia Holdings Ltd. holds the Corporation's 50.1 per cent investment in Heritage Gas Limited (Heritage Gas).

In 2002, Heritage Gas applied for a full regulation class natural gas distribution franchise for a specific area in Nova Scotia pursuant to *The Gas Distribution Act (Nova Scotia)*. On February 7, 2003, the Nova Scotia Utility and Review Board (NSUARB) awarded Heritage Gas the franchise to distribute natural gas to all or part of six counties in the Province of Nova Scotia, which Heritage Gas accepted on June 3, 2003. The franchise term is 25 years. A licence to operate was issued to Heritage Gas by the NSUARB on December 19, 2003.

Heritage Gas has acquired and constructed natural gas distribution facilities and undertaken those activities necessary to establish an operational natural gas distribution utility. Operations commenced in January 2004 and during the year, Heritage Gas flowed 14,000 Gigajoules of natural gas to over 100 customers.

Since 2003, the three shareholders of Heritage Gas have advanced $19.3 million in proportion to their interest. As at December 31, 2004 SaskEnergy had invested $9.7 million consisting of an 8.75 per cent shareholder loan amounting to $5.6 million and an equity investment of $4.1 million with a regulated rate of return on equity of 13 per cent. SaskEnergy's share of Heritage Gas' 2004 net earnings was $0.6 million compared to $0.1 million in 2003.

HERITAGE GAS LIMITED OWNERSHIP 2004

Heritage Gas

Putting Our Energy Here. Naturally.

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HERITAGE GAS LIMITED OWNERSHIP 2004

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Saskatchewan First Call Corporation *(Sask 1st Call)*

Sask 1st Call was formed in 2003 to establish a database for the location of certain oil, natural gas and other underground systems and utility facilities located in Saskatchewan. Functioning primarily for safety reasons, *Sask 1st Call* provides a service whereby landowners and other stakeholders may contact *Sask 1st Call* to determine the location of underground facilities of the 20 member companies. *Sask 1st Call* provides this service to its participating companies more efficiently than could be done themselves and is intended to recover all operational costs on an ongoing basis. During 2004 *Sask 1st Call* issued in excess of 97,000 line locates. *Sask 1st Call* had net earnings of $0.1 million in 2004 compared to a loss of $0.1 million in 2003.

Sask 1st Call
1-866-828-4888

SaskEnergy International Incorporated (SEII)

SEII holds a 30 per cent equity interest in a natural gas distribution company in Chile and a 40.1 per cent equity interest in a natural gas transmission company in Mexico. SEII's revenue is derived from investment earnings in these two companies. Overall, SEII's loss of $0.1 million in 2004 was an improvement over a loss of $0.5 million in 2003.

SaskEnergy International

As of December 31, 2004 SEII's two equity investments were as follows:

Gas Sur S.A. (Gas Sur)

SEII holds a 30 per cent equity interest in Gas Sur, a natural gas distribution company in Chile. Gas Sur was formed in 1999 to capitalize on the introduction of natural gas to the Chilean marketplace. Natural gas is an energy alternative that is safer, more convenient and more economical than propane, which was the preferred energy source prior to the introduction of natural gas. Natural gas continues to have a competitive price advantage over propane.

Gas Sur had its best year in 2004, both in terms of profitability and new customer connections with net earnings of $1.3 million and over 4,500 new customer connections. In 2004, Gas Sur flowed close to 850,000 Gigajoules of natural gas to its 26,800 customers. Gas Sur will continue to capture market share and increase its customer base in 2005.

GAS SUR S.A.
OWNERSHIP
2004

Integrated Gas Services de Mexico, S. de R.L. de C.V. (Igasamex)

SEII holds a 40.1 per cent equity interest in Igasamex which is a growing Mexico City based company which provides natural gas transmission services to Mexico's industrial sector. Igasamex flows natural gas on 20 pipeline laterals and serves over 70 industrial customers across a wide range of industries, including the textile, automotive, food processing, pulp and paper and consumer products sectors. In 2004, Igasamex had net earnings of $0.4 million and added three new pipeline laterals. In 2005, Igasamex will continue to expand its natural gas service to Mexico's industrial sector.

INTEGRATED GAS SERVICES DE MEXICO, S. DE R.L. DE C.V.
OWNERSHIP
2004

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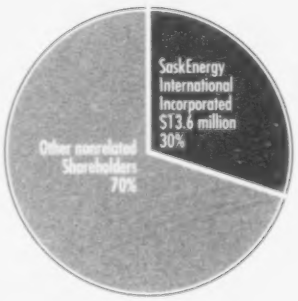
GAS SUR S.A.
OWNERSHIP
2004



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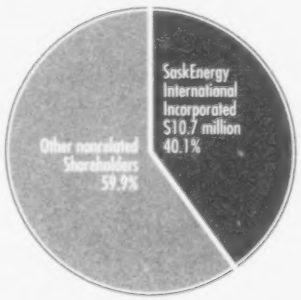
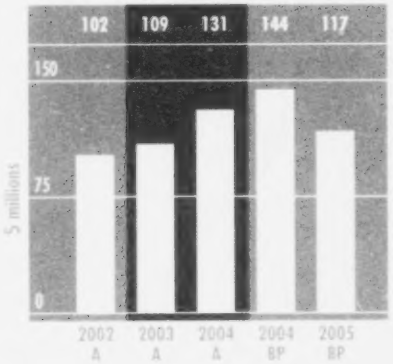
Integrated Gas Services de Mexico, S. de R.L. de C.V. (Igasamex)

SEII holds a 40.1 per cent equity interest in Igasamex which is a growing Mexico City based company which provides natural gas transmission services to Mexico's industrial sector. Igasamex flows natural gas on 20 pipeline laterals and serves over 70 industrial customers across a wide range of industries, including the textile, automotive, food processing, pulp and paper and consumer products sectors. In 2004, Igasamex had net earnings of $0.4 million and added three new pipeline laterals. In 2005, Igasamex will continue to expand its natural gas service to Mexico's industrial sector.

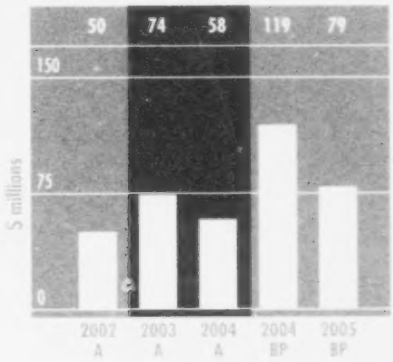
INTEGRATED GAS SERVICES DE MEXICO, S. DE R.L. DE C.V.
OWNERSHIP
2004



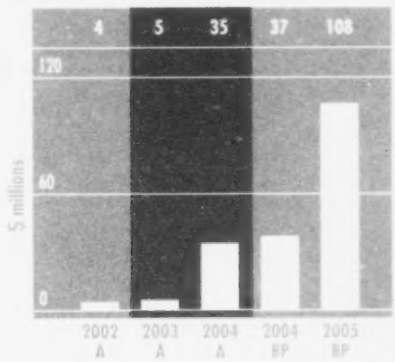
CASH FROM OPERATIONS



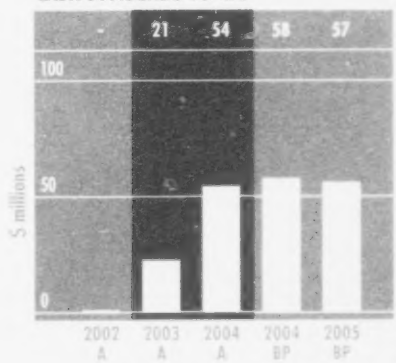
INVESTING ACTIVITIES



LONG-TERM DEBT REPAYMENTS



CASH DIVIDENDS TO CIC



A - Actual BP - Business Plan

Liquidity and Capital Resources

In 2004, SaskEnergy generated approximately $131 million in cash from operations. This level of cash flow represents a substantial improvement from 2002 and 2003 largely due to a positive margin on commodity sales which provided cash flow of $27 million. This resulted from SaskEnergy recovering a portion of the commodity sales losses incurred in both 2002 and 2003. Cash from core operations of natural gas distribution, transportation and storage services generated approximately $82 million while other non-core activities, which includes gas marketing, generated a further $22 million.

SaskEnergy applies the cash it generates from operations towards the replacement and expansion of pipeline infrastructure, capital investments for growth, debt reduction, and dividends to CIC. In 2004, SaskEnergy utilized $53 million of its cash from operations to expand and sustain its pipeline infrastructure and $5 million on capital investments for growth. Debt reduction required an additional $19 million and the remaining $54 million was paid to CIC as a dividend.

SaskEnergy invested approximately $65 million of capital within the Province, including capital contributions from customers. The largest portion of capital spending was directed toward the development of a four-cavern natural gas storage facility near Asquith. In addition, SaskEnergy invested $5 million in its joint venture, Heritage Gas, a new natural gas distribution utility in Nova Scotia.

Debt reduction in 2004 consisted of the repayment of $35 million of long-term debt having an average interest rate of 12.1 per cent, as well as a $32 million reduction in bank and short-term indebtedness. In addition to applying $19 million of cash from operations towards debt reduction, SaskEnergy also issued a $50 million ten-year debenture, through the Province of Saskatchewan at an effective interest rate of 4.7 per cent.

SaskEnergy pays 65 per cent of its annual consolidated net earnings to CIC as a dividend. The dividend is paid in quarterly instalments. In 2004, SaskEnergy paid cash dividends totaling $54 million.

Risk Management

The transmission, storage, distribution and sale of natural gas presents a range of business and financial risks. SaskEnergy's strategy with respect to risk management is to take only those risks for which it has appropriate resources, expertise and financial capacity to manage. In addition, the nature of accepted risks must be understood, as well as the impact these risks may have on operations, reputation and financial condition. The appropriate policies and procedures must be in place to respond to these risks. SaskEnergy manages the risks presented below in accordance with policies and guidelines established by the Board of Directors.

Risk type	What is it?	Examples	When is risk high?	How is it managed?
Price risk	Risk of natural gas purchase prices rising above the rate at which the natural gas is sold to customers.	SaskEnergy's exposure to natural gas price risk occurs primarily when the purchase price of natural gas exceeds the commodity rate at which SaskEnergy sells natural gas to its customers.	The price SaskEnergy's customers pay is relatively stable but SaskEnergy's exposure to price volatility is continuous.	The risk of natural gas purchase prices rising above the commodity rate at which the natural gas is sold to customers can be mitigated through a natural gas price hedging program. Also, Cabinet may set rates which allow for losses to be recovered in future periods.
	The risk that prices of natural gas may affect the profitability of SaskEnergy's gas marketing activities.	SaskEnergy may buy and sell natural gas on the open market to optimize system utilization and generate additional margin.	Failure to effectively manage the price risk associated with this activity may result in financial losses.	The natural gas marketing activities are subject to the Natural Gas Marketing Risk Management Policy, which sets limits for the amount of exposure to price volatility and establishes a program to measure, monitor and report on natural gas price risk daily so that mitigating action can be taken.
Interest rate risk	Risk that higher interest rates will increase interest expense.	Similar to other natural gas distribution and transmission utilities, SaskEnergy has a significant capital investment in physical assets. Much of that investment is financed by issuing debt. The interest paid on debt used to finance purchase and construction of assets is a significant component of SaskEnergy's cost structure.	Interest rate risk is highest when SaskEnergy has large amounts of debt maturing or is making significant new investments in infrastructure.	SaskEnergy manages interest rate risk by requiring all long-term borrowing to be financed with long-term fixed rate debt, thereby minimizing the impact of changing interest rates on financial results. In addition, SaskEnergy may hedge interest rates.
Winter weather	Warmer than normal weather reduces delivery revenue.	In Saskatchewan, variability in winter weather temperature has a direct impact on natural gas consumption.	When winter weather is warmer than normal.	SaskEnergy's operating plan provides some flexibility to mitigate the impact of warmer than normal winters. In addition, during warmer than normal winters, variable operating costs can be marginally lower.
Provincial economic and market factors	Economic growth affects the number of new customer connections.	SaskEnergy currently serves more than 90 per cent of all communities in Saskatchewan. It is becoming increasingly more difficult to economically expand service to areas not currently receiving natural gas distribution service. Opportunities to expand service depend upon continued economic growth in large urban areas and development of new commercial and industrial projects.	Times of economic downturns.	To ensure that existing customers are not adversely affected by the addition of new customers, service is only extended where the anticipated incremental revenue is sufficient to recover the incremental cost of service.
	Population dispersion.	Population is in decline in certain rural service areas and the growth of urban centres has placed added demand pressure on urban distribution systems.	During periods of sustained low agricultural commodity prices.	SaskEnergy continues to look for innovative and cost-effective ways to serve and expand service in rural and urban areas.
	Declining natural gas reserve life.	The age and declining reserve life of the Western Canadian Sedimentary Basin present the risk that throughput on the transmission system will decline.	When production declines and fewer new natural gas wells are drilled.	TransGas sponsors an annual, one-day Saskatchewan Natural Gas Workshop in Calgary designed to lead individuals through every step of the natural gas industry in Saskatchewan and help encourage future exploration and development of natural gas reserves in the Province.
	Declining use per customer.	As average use per customer declines, the average cost of service per unit of consumption increases.	When natural gas prices are above historical levels.	SaskEnergy incorporates an assumption for declining use per customer in its revenue forecasts and rate-setting process. Conversely, SaskEnergy promotes the conservation efforts of its customers through the Energy Star Loan Event.

Risk type	What is it?	Examples	When is risk high?	How is it managed?
Operational risk	Risks commonly associated with operating a natural gas distribution, transmission and storage utility.	Unusual or unexpected operating, environmental and weather conditions. Handling of hazardous materials. Concern for employee and public safety.	During extreme weather conditions, the summer construction period and normal operations.	SaskEnergy mitigates its operational risks through public awareness programs, employee and operator training, standard operating manuals and procedures, and safety programs to minimize disruption of service to its customers. In addition, the financial impact of these risks is mitigated, where possible, through the purchase of insurance. Primarily for safety reasons SaskEnergy and TransGas, as well as other member companies, utilize the services provided by *Sask 1st Call* to determine the location of their underground facilities.
		Natural gas is a flammable substance that is distributed throughout the province through a vast network of steel and plastic pipelines. Explosive mixtures are formed when natural gas escapes into the atmosphere and mixes with oxygen.	During unexpected adverse events.	Although natural gas is flammable, it is lighter than air and tends to dissipate quickly when accidentally released into the atmosphere, which reduces the risk of explosion relative to other volatile hydrocarbons. Operational procedures described above mitigate the risk of inadvertent release of natural gas.
		Acts of civil disobedience or disruptions which could result in personal injury, loss of life or damage to property.		SaskEnergy has developed a Business Continuity Plan to manage events that may precipitate the disruption of operations and service to customers.
		SaskEnergy and TransGas operate one of the largest natural gas pipeline and storage systems in North America. Customers are dependent upon the safe and reliable supply of natural gas.		The Corporation's approach to system integrity combines sophisticated technology, visual inspection, hands-on maintenance and proactive public awareness initiatives to ensure the safe and reliable operation of the pipeline systems.
Credit risk	Risk of loss due to financial difficulties of customers and other contractual counterparties.	Bankruptcy or insolvency of counterparties or customers who have received services. Failure of customers to pay for service in a timely manner.	Periods of economic difficulty and historically high natural gas prices.	SaskEnergy mitigates credit risk by: requiring certain customers to provide security deposits prior to receiving service; reviewing the credit worthiness of large customers and contractual counterparties; limiting the maximum amount of credit extended to any customer; and continuing to monitor customer and counterparty credit. In addition, SaskEnergy provides for an allowance for uncollectible accounts in the normal course of business. These policies and procedures ensure that the financial impact of customer or counterparty default is minimized.
Regulatory risk	Uncertainty presented by operating within a regulated environment and when decisions are made by regulators that directly affect financial results.	In July 2000, the Government of Saskatchewan introduced the Saskatchewan Rate Review Panel. The Panel functions as an advisor to the Minister of CIC. The Panel's mandate is to conduct reviews of rate change requests from specific Crown corporations, including SaskEnergy.	When the difference between the interests of SaskEnergy and the interests of its customers are most divergent.	SaskEnergy follows standard accepted regulatory principles in designing rates. The decisions made by the Panel are subject to final approval by Cabinet.
Environmental and safety risk	Safety and environmental risks resulting from the operation of pipeline systems.	The use of certain chemicals and materials which are considered hazardous and require special handling procedures. These products can affect soil, water, and air quality as well as the health of species that live in these environments.	During normal operations.	The safety and environmental risks presented by natural gas and the use of chemicals and materials are mitigated by proper handling and containment procedures, corporate safety and environmental standards, employee training, and support from first responders.
		Release of compounds that contribute to climate change (greenhouse gases).	Risks may occur during uncontrolled natural gas releases into the atmosphere. When hazardous substances are released into the environment or workplace in quantities that may jeopardize the health and safety of employees.	Canada's commitment to reduce greenhouse gas emissions, as outlined in the Kyoto Agreement, will have an operational and financial impact on the Corporation. The Canadian Gas Association (CGA) and the Canadian Energy Pipeline Association (CEPA) have taken the lead role on behalf of the natural gas industry. CGA and CEPA have offered alternative greenhouse gas management options. Through discussions with Natural Resources Canada, industry has come closer to accepting an equitable combination of regulatory measures and emissions trading and credit options. There is some uncertainty as a result of a proposed change in approach by the federal government to place the control of greenhouse gas emissions under the Canadian Environmental Protection Act. Additional measures will have to be developed to manage the risk presented by this proposed change.

Risk Management

The transmission, storage, distribution and sale of natural gas presents a range of business and financial risks. SaskEnergy's strategy with respect to risk management is to take only those risks for which it has appropriate resources, expertise and financial capacity to manage. In addition, the nature of accepted risks must be understood, as well as the impact these risks may have on operations, reputation and financial condition. The appropriate policies and procedures must be in place to respond to these risks. SaskEnergy manages the risks presented below in accordance with policies and guidelines established by the Board of Directors.

Risk type	What is it?	Examples	When is risk high?	How is it managed?
Price risk	Risk of natural gas purchase prices rising above the rate at which the natural gas is sold to customers.	SaskEnergy's exposure to natural gas price risk occurs primarily when the purchase price of natural gas exceeds the commodity rate at which SaskEnergy sells natural gas to its customers.	The price SaskEnergy's customers pay is relatively stable but SaskEnergy's exposure to price volatility is continuous.	The risk of natural gas purchase prices rising above the commodity rate at which the natural gas is sold to customers can be mitigated through a natural gas price hedging program. Also, Cabinet may set rates which allow for losses to be recovered in future periods.
	The risk that prices of natural gas may affect the profitability of SaskEnergy's gas marketing activities.	SaskEnergy may buy and sell natural gas on the open market to optimize system utilization and generate additional margin.	Failure to effectively manage the price risk associated with this activity may result in financial losses.	The natural gas marketing activities are subject to the Natural Gas Marketing Risk Management Policy, which sets limits for the amount of exposure to price volatility and establishes a program to measure, monitor and report on natural gas price risk daily so that mitigating action can be taken.
Interest rate risk	Risk that higher interest rates will increase interest expense.	Similar to other natural gas distribution and transmission utilities, SaskEnergy has a significant capital investment in physical assets. Much of that investment is financed by issuing debt. The interest paid on debt used to finance purchase and construction of assets is a significant component of SaskEnergy's cost structure.	Interest rate risk is highest when SaskEnergy has large amounts of debt maturing or is making significant new investments in infrastructure.	SaskEnergy manages interest rate risk by requiring all long-term borrowing to be financed with long-term fixed rate debt, thereby minimizing the impact of changing interest rates on financial results. In addition, SaskEnergy may hedge interest rates.
Winter weather	Warmer than normal weather reduces delivery revenue.	In Saskatchewan, variability in winter weather temperature has a direct impact on natural gas consumption.	When winter weather is warmer than normal.	SaskEnergy's operating plan provides some flexibility to mitigate the impact of warmer than normal winters. In addition, during warmer than normal winters, variable operating costs can be marginally lower.
Provincial economic and market factors	Economic growth affects the number of new customer connections.	SaskEnergy currently serves more than 90 per cent of all communities in Saskatchewan. It is becoming increasingly more difficult to economically expand service to areas not currently receiving natural gas distribution service. Opportunities to expand service depend upon continued economic growth in large urban areas and development of new commercial and industrial projects.	Times of economic downturn.	To ensure that existing customers are not adversely affected by the addition of new customers, service is only extended where the anticipated incremental revenue is sufficient to recover the incremental cost of service.
	Population dispersion.	Population is in decline in certain rural service areas and the growth of urban centres has placed added demand pressure on urban distribution systems.	During periods of sustained low agricultural commodity prices.	SaskEnergy continues to look for innovative and cost-effective ways to serve and expand service in rural and urban areas.
	Declining natural gas reserve life.	The age and declining reserve life of the Western Canadian Sedimentary Basin present the risk that throughout on the transmission system will decline.	When production declines and fewer new natural gas wells are drilled.	SaskGas sponsors an annual, one-day SaskatchewanNatural Gas Workshop in Calgary designed to assist individuals through every step of the natural gas industry in Saskatchewan and help encourage future exploration and development of natural gas reserves in the Province.
	Declining use per customer.	As average use per customer declines, the average cost of service per unit of consumption increases.	When natural gas prices are above historical levels.	SaskEnergy incorporates an assumption for declining use per customer in its revenue forecast and rate-setting process. Conversely, SaskEnergy promotes the conservation efforts of its customers through the Energy Star Loan Event.

Risk type	What is it?	Examples	When is risk high?	How is it managed?
Operational risk	Risks commonly associated with operating a natural gas distribution, transmission and storage utility	Unusual or unexpected operating, environmental and weather conditions	During extreme weather conditions, the summer construction period, and normal operations	SaskEnergy mitigates its operational risks through public awareness programs, employee and operator training, standard operating manuals and procedures, and safety programs to minimize disruption of service to its customers. In addition, the financial impact of these risks is mitigated, where possible, through the purchase of insurance. Personally, Eric values SaskEnergy and therefore, as well as other member companies, utilizes the services provided by Task 7 Ltd to determine the location of their underground facilities.
		Handling of hazardous materials		
		Concern for employee and public safety		
		Natural gas is a flammable substance that is distributed throughout the province through a vast network of steel and plastic pipelines. Explosive mixtures are formed when natural gas escapes into the atmosphere and mixes with oxygen	During unexpected soil versus events	Although natural gas is flammable, it is lighter than air and tends to dissipate quickly when accidentally released into the atmosphere, which reduces the risk of explosion relative to other volatile hydrocarbons. Operational procedures described above mitigate the risk of inadvertent release of natural gas.
		Lack of cost disincentives or disruptions which could result in personal injury, loss of life or damage to property		SaskEnergy has developed a dynamic community filter to manage system flow rates pre-emptive the disruption of operations and service to customers.
		SaskEnergy and TransGas operate one of the largest natural gas pipeline and storage systems in North America. Customers are dependent upon the safe and reliable supply of natural gas		The Corporation's approach to system integrity, additional, sophisticated technology, visual inspection, leak-survey maintenance and proactive public awareness initiatives to ensure the safe and reliable operation of the pipeline system.
Credit risk	Risk of loss due to financial difficulties of customers and other contractual counterparties	Bankruptcy or insolvency of counterparties or customers who have received services	Periods of economic difficulty and historically high natural gas prices	SaskEnergy mitigates credit risk by requiring certain customers to provide security deposits prior to receiving service, reassessing the credit worthiness of large customers and contractual counterparties, limiting the maximum amount of credit extended to any customer, and continuing to closely monitor such counterparty credit risk. In addition, SaskEnergy provides for an allowance for uncollectibles to cover a reasonable portion of balances. These policies and procedures ensure that the financial impact of customer or counterparty default is minimized.
		Failure of customers to pay for services in a timely manner		
Regulatory risk	Uncertainty associated by operating within a regulated environment and when decisions are made by regulators that directly affect financial results	In July 2002, the Government of Saskatchewan introduced the Saskatchewan Rate Review Panel. The Panel functions as an adjunct to the Minister of CIC. The Panel's mandate is to conduct reviews of rate change requests from specific Crown corporations, including SaskEnergy.	When the differences between the interests of SaskEnergy and the interests of its customers are most divergent	SaskEnergy follows standard accepted regulatory principles in developing rates. The decisions made by the Panel are subject to their approval by Cabinet.
Environmental and safety risk	Safety and environmental risks resulting from the operation of pipeline systems	The use of various chemicals and materials which are considered hazardous and require special handling procedures. These products can affect soil, water, and air quality as well as the health of persons that live in these environments	During normal operations	The safety and environmental risks presented by natural gas and the use of chemicals and materials are mitigated by proper handling and containment procedures, corporate safety and environmental standards, employee training, and support from first responders.
		Release of compounds that contribute to Climate Change (greenhouse gases)	Policy rating and/or energy commodities markets are relatively calm, like today	Canada's commitments to reduce greenhouse gas emissions, as ratified in the Kyoto Agreement, will have an operational and financial impact on the corporation. The Canadian Gas Association (CGA) and the Canadian Energy Pipeline Association (CEPA) have taken this issue on behalf of the natural gas industry. CGA and CEPA have offered alternative approaches and management options. Through discussions with federal departments, Canada Industry has been active in providing an industrial perspective in negotiating measures and developing policy and implementation. There is some uncertainty as a result of a proposed change in approach by the federal government to place the burden of greenhouse gas emissions under the Canadian Environmental Protection Act. Additional measures will have to be developed to manage the risk presented by this proposed change.
			When conditions are favourable for the development of a pipeline project, or upgrading of existing pipeline, the risk of construction, the safety and quality of construction	

Financial Results and Factors Affecting Performance

SaskEnergy's financial results are sensitive to changes to key factors which include:

Description of the risk	Factor	Sensitivity	Impact on net earnings
Natural gas prices fluctuate in the market and can affect earnings if there is a change in the market price per Gigajoule with no accompanying change to SaskEnergy's commodity rates. The risk is mitigated by a natural gas price hedging program.	Natural gas prices	$0.10 change per Gigajoule	
Foreign exchange can affect earnings as a change in value of Canadian currency relative to United States currency impacts natural gas prices in Canada. This in turn may affect commodity purchase costs incurred by SaskEnergy.	Foreign exchange impact on natural gas prices	$0.01 change to foreign exchange rates	
Winter weather fluctuations can affect earnings. Revenue forecasts are based on the assumption of normal winter weather defined as the average weather experienced over the last thirty years.	Winter weather	One per cent change in winter weather	
TransGas receipt contracted volumes are affected by the capacity contracted by shippers for the transportation of their natural gas.	TransGas receipt contracted volumes	One per cent change to contracted levels	
Short-term interest rates affect the cost of short term borrowing.	Short-term interest rates	0.25 per cent change in short-term interest rates	

The above sensitivities are intended to be illustrative of the relationship between the factors and financial performance and are not intended to reflect the likelihood of this variability.

Outlook

SaskEnergy's Business Plan forecasts strong earnings in 2005 with consolidated net earnings from operations of $58 million and a positive commodity margin of $30 million. This will result in forecasted consolidated net earnings of $88 million. Over the planning horizon, SaskEnergy anticipates stable consolidated net earnings from operations in the range of $60 million per year.

CONSOLIDATED NET EARNINGS FROM OPERATIONS FIVE YEAR FORECAST

Enterprise Value

SaskEnergy strives to create enterprise value for the owner by generating industry comparable return levels, paying dividends based on 65 per cent of consolidated net earnings, protecting financial condition and maintaining a prudent capital structure. In 2005, SaskEnergy anticipates dividend payments to CIC of $57 million based on 65 per cent of the projected consolidated net earnings of $88 million. The capital structure in 2005 is anticipated to be maintained at 68 per cent debt and 32 per cent equity.

Operations

SaskEnergy has a strong commitment to providing cost effective operations and value-added service to its customers. This commitment is reflected through programs to control costs and by applying innovative practices to improve the efficiency of service delivery. SaskEnergy has identified approximately $9 million in operating and maintenance cost savings over the 2000 to 2005 period through a program specifically designed to identify and capture cost reduction opportunities. The savings from these programs have favourably impacted the rates charged for providing service to both TransGas and SaskEnergy customers.

For the second consecutive year, TransGas offered its customers a transportation and storage service rate reduction. Flows on the TransGas system increased during this time and costs have been effectively managed, which translated into savings for customers. In 2003, TransGas was able to reduce its rates by two per cent. Customers received an additional reduction of 3.4 per cent effective November 1, 2004 which will remain in place throughout 2005. These reductions, made possible by increased throughput and cost savings, ensure that TransGas rates will remain stable and competitive in 2005.

Similar to TransGas, SaskEnergy has managed to contain costs to ensure stable delivery rates for its customers. SaskEnergy does not plan to increase delivery rates in 2005, which would become the eighth consecutive year without a delivery rate increase. There has been only one delivery rate increase since 1994. The ability to maintain these service rates is made possible through efforts to reduce borrowing costs and operating and maintenance expenses. Cost savings are also made possible by natural gas transportation rate decreases implemented by TransGas.

Capital Program

As SaskEnergy serves a mature Saskatchewan market through an extensive pipeline infrastructure throughout the Province, ensuring safe and reliable service is a major priority. To do this SaskEnergy has committed over 30 per cent of the capital budget in 2005 to sustaining and improving existing transmission and distribution related facilities and infrastructure. SaskEnergy develops its capital program consistent with the Corporation's objectives. Individual projects are carefully prioritized in accordance with the urgency of the need as well as the relative costs and benefits that will result.

The 2005 capital program has identified net capital expenditure requirements of approximately $60 million to support the growth and maintenance of the distribution and transmission pipeline systems. Transmission system capital requirements in 2005 are expected to be driven by natural gas reserve development and producer activities, the continuation of work on a natural gas storage facility near Asquith, and the continued focus on ensuring the safety and reliability of the high pressure pipeline infrastructure. The distribution system has a stable capital program reflecting the requirements associated with connecting new customers and sustaining the distribution infrastructure.

Capital Investments

SUI's two investments, Gas Sur and Ignacimex, are both developing consistent with their targets in terms of new customer connections and market presence. In the coming year, SUI will work closely with its investment partners in both Chile and Mexico to continue to grow these investments. Neither investment is expected to require any significant capital injection from the shareholder in 2005.

At December 31, 2004, SaskEnergy had an accumulated investment of approximately $30 million in Heritage Gas. SaskEnergy anticipates further investment in 2005 as it continues to expand the natural gas distribution system in Nova Scotia.

SaskEnergy's strategic financial direction is focused on ensuring the achievement of strong financial results. Prudent and efficient management of resources, together with increased transportation receipts and retail natural gas distribution volumes, is expected throughout the planning horizon. SaskEnergy is meeting the challenges of today so it can deliver both value and service to its customers, its owner and the people of Saskatchewan, and is confident it can meet the challenges of tomorrow.

Accounting Policies and Estimates

The Corporation prepares its financial statements in accordance with Canadian generally accepted accounting principles applied on a consistent basis and includes certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue, and expenses. The significant accounting policies are disclosed in Note 2 to the accompanying Consolidated Financial Statements. Certain of the significant accounting policies and estimates are summarized as follows:

Competitive Gas Sales

The primary purpose of the distribution utility is to supply natural gas to customers who use the natural gas primarily for heating their premises. Consumption of natural gas in Saskatchewan is cyclical and periods exist where pipeline and storage capacity are not used to their fullest extent. To take advantage of underutilized capacity during these off-peak periods, the distribution utility may enter into transactions whereby it purchases natural gas, places it into storage and earns a margin by selling it in the open market at a later date.

Competitive gas sales transactions may occur where the purchase price (or, in some instances, the selling price) is established initially but the corresponding selling price (or purchase price) is not determined until a later date. During the period between the purchase or sale of the natural gas and the final settlement date, the profit or loss is determined by comparing the purchase price (or selling price) to the current market price and is recorded in the statement of earnings.

Gas Price Hedging

The majority of natural gas purchase contracts are priced according to a monthly average market price. To help avoid potential fluctuations in purchase prices, SaskEnergy may utilize financial instruments offered by financial institutions or other counterparties to exchange a variable price for a fixed price. These financial instruments result in either the receipt of funds by the Corporation or the payment of funds to the counterparty depending on whether the market price is above or below the agreed upon fixed price. The payments made to or received from counterparties are included in the commodity cost of gas.

Revenue Recognition

Delivery and commodity revenues are recognized when natural gas is delivered to customers. Since it is not cost effective to read all customer meters on the same day at the end of the financial reporting period, the revenue associated with the volume of natural gas delivered but not billed as of December 31, must be estimated. The volume of unbilled sales is determined by comparing the total volume of natural gas purchased by the distribution system to the total estimated volume of natural gas delivered to customers. Volumes purchased are reconciled to volumes billed using regular meter readings.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

As at December 31

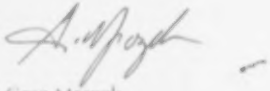
The management of SaskEnergy Incorporated is responsible for the integrity of the accompanying consolidated financial statements and all other information contained in the Corporation's 2004 business reporting package consisting of the Management's Discussion and Analysis, the Annual Report, and the Corporate Social Responsibility Report. The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles that are applied on a consistent basis, and include amounts based on management's informed judgments and estimates. Financial information included elsewhere in the 2004 business reporting package is consistent with the consolidated financial statements.

The Corporation's Board of Directors (the Board) is responsible for overseeing the business and affairs of the Corporation. The Board, through its Audit and Finance Committee (the Committee), is responsible for ensuring that management fulfills its financial reporting responsibilities. The Committee is composed of independent directors who are not employees of the Corporation. The Committee reviews the Management's Discussion and Analysis and meets regularly with management, internal audit services and the external auditors to discuss internal controls, accounting, auditing and financial matters. The Committee recommends the appointment of the external auditors. The Committee reports its findings to the Board for its consideration in approving both the consolidated and subsidiary financial statements.

Management maintains a system of internal controls to ensure the integrity of information that forms the basis of the financial statements. The internal control system ensures that: transactions are executed in accordance with proper authorization; the financial information is relevant, reliable, and accurate; and assets are appropriately accounted for and adequately safeguarded. The internal control system includes an internal audit function and an established code of conduct.

The consolidated financial statements have been audited by Deloitte & Touche LLP, Chartered Accountants as appointed by the Lieutenant Governor in Council and approved by Crown Investments Corporation of Saskatchewan. The Auditors' Report expresses their opinion on the fairness of the financial statements prepared by management.

Doug Kellis
President
and Chief Executive Officer
February 8, 2005



Greg Mrazek
Vice-President, Finance
and Chief Financial Officer

AUDITORS' REPORT

To the Members of the Legislative Assembly
Province of Saskatchewan

We have audited the consolidated statement of financial position of SaskEnergy Incorporated as at December 31, 2004 and the consolidated statements of earnings and retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Regina, Saskatchewan
February 8, 2005

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31
(thousands of dollars)

	2004	2003 (Restated)
Assets		
Current assets		
Cash	$ 3,637	$ -
Accounts receivable	173,726	144,524
Natural gas in storage held for resale	95,966	82,102
Inventories of supplies	6,843	6,458
	280,172	233,084
Property, plant and equipment (Note 5)	949,461	941,569
Investments and other assets (Note 6)	31,755	34,789
Natural gas in storage held for resale and operations	25,053	25,766
	$ 1,286,441	$ 1,235,208
Liabilities and Province's Equity		
Current liabilities		
Bank indebtedness	$ -	$ 1,295
Short-term debt (Note 7)	78,900	110,000
Accounts payable	159,422	141,436
Dividend payable	26,500	10,560
Current portion of long-term debt (Note 7)	106,235	34,997
	371,057	298,288
Long-term debt (Note 7)	569,348	627,884
	940,405	926,172
Province of Saskatchewan's equity		
Equity advances (Note 8)	71,531	71,531
Retained earnings (Note 3)	276,431	238,589
Foreign currency translation adjustment (Note 6)	(1,926)	(1,084)
	346,036	309,036
	$ 1,286,441	$ 1,235,208

Commitments and contingencies (Note 9)

(See accompanying notes)

On behalf of the Board:

Director

Director

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Years ended December 31
(thousands of dollars)

	2004	2003 (Restated)
Revenue		
Delivery	$ 162,246	$ 164,825
Transportation and storage	88,436	80,983
Net sales from gas marketing (Note 10)	36,535	36,508
Revenue collected for municipalities (Note 11)	24,270	24,432
Other	5,932	6,115
	317,419	312,863
Expenses		
Operating and maintenance	117,743	113,337
Interest (Note 7)	49,462	52,055
Amortization (Note 5)	49,608	49,109
Payment to municipalities (Note 11)	24,270	24,432
Saskatchewan taxes (Note 12)	6,256	5,779
	247,339	244,662
Net earnings from operations before the following	70,080	68,201
Commodity revenue	387,042	374,668
Cost of gas sold	349,280	401,955
Gain (loss) from commodity sales (Note 4)	37,762	(27,317)
Net earnings	107,842	40,884
Retained earnings, beginning of year		
As previously reported	237,738	223,133
Change in accounting policy (Note 3)	851	92
As restated	238,589	224,135
	346,431	265,019
Dividends	(70,000)	(26,400)
Retained earnings, end of year	$ 276,431	$ 238,619

(See accompanying notes)

SASKENERGY INCORPORATED

CONSOLIDATED STATEMENT OF CASH FLOWS

Years ended December 31
(thousands of dollars)

	2004	2003 (Restated)
Operating Activities		
Net earnings	$ 107,842	$ 40,904
Add (deduct) items not requiring an outlay of cash		
Amortization	49,608	49,019
Other non-cash items	(1,141)	1,281
	156,309	91,204
Net change in non-cash working capital related to operations (Note 13)	(25,465)	17,769
Cash provided by operating activities	130,844	108,973
Investing Activities		
Additions to property, plant, and equipment	(67,825)	(79,132)
Additions to investments and other assets	(937)	(6,685)
Customer capital contributions received	10,325	9,723
Decrease in natural gas in storage (non-current)	713	2,574
Cash used in investing activities	(57,724)	(73,520)
Financing Activities		
Decrease in short-term debt	(31,100)	(63,200)
Sinking fund instalments	(4,540)	(4,540)
Increase (decrease) in deferred charges	1,969	(279)
Proceeds from long-term debt	50,000	50,000
Repayments of long-term debt	(30,457)	-
Dividends paid	(54,060)	(20,560)
Cash used in financing activities	(68,188)	(38,579)
Increase (decrease) in cash during the year	4,932	(3,126)
Cash position, beginning of year	(1,295)	1,831
Cash position, end of year	$ 3,637	$ (1,295)

Cash position consists of cash less bank indebtedness

(See accompanying notes)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

1. Status of the Corporation

SaskEnergy Incorporated (SaskEnergy) is a Saskatchewan provincial Crown corporation operating under authority of *The SaskEnergy Act*. SaskEnergy's primary business is the transportation, distribution and storage of natural gas in Saskatchewan.

By virtue of *The Crown Corporations Act, 1993*, SaskEnergy has been designated as a subsidiary of Crown Investments Corporation of Saskatchewan (CIC), a provincial Crown corporation. Accordingly, the financial results of SaskEnergy are included in the consolidated financial statements of CIC.

As a provincial Crown corporation, SaskEnergy and its wholly owned subsidiaries are not subject to Federal or Provincial income taxes in Canada.

2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles applied on a consistent basis and include certain estimates based on management's judgment. These estimates affect the reported amounts of assets, liabilities, revenue and expenses. Actual results could differ from these estimates. The following accounting policies are considered to be significant:

a. Principles of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries, Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, Saskatchewan First Call Corporation, SaskEnergy International Incorporated, SaskEnergy Chilean Holdings I Ltd., SaskEnergy Chilean Holdings II Ltd., SaskEnergy Mexican Holdings Ltd., SaskEnergy Nova Scotia Holdings Ltd., Swan Valley Gas Corporation, and TransGas Limited. The accounts also include the Corporation's 100 per cent ownership interest in SaskEnergy Chilean Holdings Limitada, a Chilean limited partnership and the Corporation's 50.1 per cent proportionate share of the accounts of Heritage Gas Limited. Separate audited financial statements are prepared for each of these entities.

b. Natural gas in storage

i. Natural gas in storage held for resale

Natural gas in storage held for resale (both current and non-current) is stated at lower of cost and net realizable value. Natural gas held for resale removed from storage is accounted for on an average cost basis. Natural gas in storage held for resale classified as a current asset is the estimated amount of natural gas in storage to be sold in 2005 with the remainder classified as non-current.

ii. Natural gas in storage held for operations

Natural gas in storage held for operations is stated at cost. Natural gas in storage held for operations, classified as a non-current asset, is located within the Corporation's various underground natural gas storage facilities and is required for the ongoing operation of the storage facilities.

c. Inventories of supplies

Inventories of supplies consist primarily of pipe and general stock for construction and maintenance and are recorded at the lower of average cost or replacement cost.

d. **Property, plant and equipment**

Property, plant and equipment is stated at cost and includes all direct costs plus overhead charges and an allowance for interest costs related to financing construction of the related assets.

The costs of renewals and betterments which extend the economic useful life of assets are capitalized.

Retirement or sale of a major item or class of property, plant and equipment, is accounted for by relieving the asset accounts of the associated cost and accumulated amortization. The difference between the proceeds and the net book value of the assets disposed is included in earnings for the current period.

Other asset retirements are recorded by reducing the account by the cost of the asset and charging this amount, net of proceeds received, to accumulated amortization.

Amortization expense is calculated on a straight-line basis over the estimated service life of the asset. The amortization rates are as follows: (in per cent)

Transmission and storage	2.5 to 2.6
Distribution	2.5 to 3.5
Gathering, treatment and compression	2.5 to 3.5
Vehicles, equipment and other	2.5 to 50.0

Customer capital contributions relate to construction of new service connections. These contributions from customers are amortized on a straight-line basis over the estimated service life of the related asset.

e. **Investments**

The Corporation accounts for its investments in Gas Sur S.A. and Igasamex USA Ltd. using the equity method.

f. **Asset retirement obligation**

In accordance with the new Canadian Institute of Chartered Accountants accounting standard for asset retirement obligations, the Corporation now records the costs associated with the future decommissioning of certain natural gas storage facilities. When a reasonable estimate is known, the fair value of these future costs is determined based on the period of decommissioning and on reclamation standards that meet or exceed regulatory requirements. This estimate is recorded as part of the related asset along with a related obligation.

Annually until decommissioning, the asset is depreciated over the estimated useful life of the related asset, and the obligation is increased using an interest rate method and risk free rate of return. In the year of decommissioning, the asset will be fully depreciated and the obligation will have increased to an amount equal to the estimated cost of decommissioning.

Due to the long-term nature of the assumptions made in the cost estimates, there could be a material adjustment to earnings in future reporting periods. Therefore, revisions will be made periodically to reflect more accurate estimates.

g. **Foreign currency translation adjustment**

The Corporation's foreign investments are self-sustaining, and the financial statements are translated from the functional currency into Canadian dollars using the current rate method. Translation adjustments resulting from changes in the exchange rate between the functional currency and the Canadian dollar are reflected in the foreign currency translation adjustment in the Province of Saskatchewan's Equity.

h. **Revenue recognition**

Delivery and commodity revenue is recognized when natural gas is delivered to customers. An estimate of gas delivered, but not billed as of December 31, is included in revenue.

Revenue is recognized when transportation, transportation-related services and storage are provided to customers. An estimate of transportation, storage and related services rendered, but not billed as of December 31, is included in revenue.

For natural gas purchased for resale, commodity revenue is recognized in the financial statements upon completion of the delivery of natural gas to the customer.

Royalty revenue, included in other revenue, is recognized when natural gas is sold from wells subject to royalty agreements. Royalty revenue, accounts receivable and accrued revenue are subject to measurement uncertainty. These amounts are based on the Corporation's best information and judgment.

i. **Cost of gas sold**

The cost of gas sold includes the cost of purchasing natural gas on the open market, net hedging settlements, transportation, direct operating costs related to supply acquisition, and natural gas inventory carrying costs.

j. **Competitive gas sales**

Where the Corporation purchases natural gas in the open market at a fixed purchase price and simultaneously enters into agreements to sell this natural gas at a fixed selling price, the gain or loss is recorded at the time the transaction is settled.

In addition, the Corporation may enter into contracts that require either the physical delivery (sale) or receipt (purchase) of natural gas in a future period. Contracts may be structured so that the settlement price is determined in the future at the time of delivery or receipt. Changes in the value of the contract due to a change in market prices up to the date of settlement are recorded as gains or losses in the period of change.

k. **Derivative instruments**

The Corporation uses various derivative instruments to hedge its operating exposures to fluctuations in foreign currency exchange rates, interest rates and the price of natural gas. A Corporate Derivatives Policy and specific hedging strategies establish the guidelines within which such instruments may be used. These policies require that SaskEnergy use derivative instruments only to manage risks associated with transactions undertaken in the normal course of business.

Hedge accounting is used when there is a high degree of correlation between price movements in the derivative instrument and the item designated as being hedged. Gains and losses are recognized in the same period as the hedged item is settled and are recorded in the statement of earnings. If correlation ceases, hedge accounting is terminated and future changes in the market value of the derivative instruments are recognized as gains or losses in the period of change.

i. Natural gas price risk management

The Corporation may hedge the purchase price and sale price of natural gas. The purchase or sale price of the natural gas may be fixed within the contract, or referenced to a floating index price. When the price is referenced to a floating index price, derivative instruments may be used as a hedge to fix the settlement amount. The types of instruments SaskEnergy uses to effect these hedges include natural gas price swaps, options, and swaptions traded on an over-the-counter market. In addition, SaskEnergy may use futures contracts and options on futures contracts traded on the New York Mercantile Exchange. The Corporation may sell options to generate premium income, which is used to offset the cost to purchase call options.

Derivative instruments that do not qualify for hedge accounting are recorded at fair value on a gross basis in the statement of financial position to accounts receivable or accounts payable as applicable. Gains and losses resulting from changes in fair value are recorded in the statement of earnings in the cost of gas.

ii. Foreign currency exchange and interest rate risk management

The Corporation uses instruments to hedge the interest rate on anticipated borrowing requirements and the foreign currency exchange rate on foreign currency denominated transactions. For the purpose of hedging interest rates, the Corporation may use forward rate agreements, options, and interest rate swaps. For the purpose of hedging the exchange rate on transactions denominated in foreign currency, SaskEnergy may use currency forwards and currency options.

l. Employees' future benefits

The Corporation provides pension plans for all eligible employees, including a defined contribution pension plan and a defined benefit pension plan. The defined contribution pension plan is governed by *The Public Employees Pension Plan Act and Regulations*. The defined benefit pension plan is governed by *The Superannuation (Supplementary Provisions) Act and Regulations*, as well as *The Power Corporation Superannuation Act*.

Under both plans the Corporation's obligations are limited to making regular payments to the plans for current services. When made, these contributions are charged to expenses.

The cost of future retirement allowance benefits earned by employees is actuarially determined using the projected benefit method and management's best estimates. Past service costs are amortized on a straight-line basis over the estimated average remaining service period of active employees.

m. Deferred financing charges

Included in deferred financing charges are issue costs, discounts and premiums resulting from the issue of long-term debt, and costs of terminating delayed start interest rate swaps relating to financing of debt. These deferred financing charges are amortized as part of interest expense over the term of the related debt on a straight-line basis.

3. Changes in Accounting Policies

a. Asset retirement obligations

Until December 31, 2003, the Corporation recognized its responsibility for the estimated future costs associated with the permanent decommissioning of the Corporation's property, plant and equipment in accordance with the existing standards. The estimated cost of retiring these assets was being amortized on a straight-line basis over the expected useful life of the related assets. As at December 31, 2003, the Corporation had recorded a total provision of $1,950 thousand for the future decommissioning of certain natural gas storage fields.

Effective January 1, 2004 the Corporation adopted the new Canadian Institute of Chartered Accountants accounting standard for asset retirement obligations which was required to be applied retroactively. The decommissioning costs referred to above are now recognized in accordance with this new standard. The Corporation is required to record this accounting change retroactively with a restatement of prior periods to show what the effect would have been if the new policy had been followed. The impact of the accounting policy change was a $121 thousand decrease in net earnings for 2003.

The impact of this accounting change is as follows:

[illegible]	[illegible]
Amortization	$ 260
Operating and maintenance expense	(139)
Net earnings	(121)
Property, plant and equipment, net	1,202
Accounts payable	402
Retained earnings, beginning of period	679
Retained earnings, end of period	800

b. Hedge accounting

Effective January 1, 2004, the Corporation commenced application of the new Canadian Institute of Chartered Accountants Accounting Guideline 13. The guideline requires identification, designation, documentation and effectiveness of hedging relationships be established at the inception of each hedge in order to apply hedge accounting. Hedge accounting is used when there is a high degree of correlation between price movements in the derivative financial instrument and the item designated as being hedged. Gains and losses are recognized in the same period as the hedged item is settled and are recorded in the statement of earnings and retained earnings. If correlation ceases, hedge accounting is terminated and future changes in the market value of the derivative instruments are recognized as gains or losses in the period of change. For those derivative instruments that existed at January 1, 2004, there was no material impact on these financial statements as a result of the adoption of Accounting Guideline 13. For those derivative instruments entered into during 2004 that did not qualify for hedge accounting under Accounting Guideline 13, a mark to market gain of $31,321 thousand was recognized in income. The mark to market gain relates to unexpired derivative instruments for the period January 1, 2005 to October 31, 2005.

4. Saskatchewan Rate Review Panel

a. Saskatchewan rate review panel

During 2000, the Saskatchewan Rate Review Panel was established by Minister's Order. The Panel was established to conduct a review of the Corporation's request for a change in rates charged for natural gas commodity sales and delivery service. The review of proposed rate changes considers the interests of the consumer, the Corporation and the public.

b. Gas cost variance account

For rate setting purposes, SaskEnergy's approved selling price for natural gas is based on the principle that there is neither a profit nor a loss on natural gas sold to customers. Therefore, the Corporation established a Gas Cost Variance Account (GCVA) to accumulate differences between commodity revenue and cost of gas sold. Subject to approval of the Government of Saskatchewan, balances accumulated in the GCVA are either recovered from or refunded to customers through future rates.

The GCVA is required by Cabinet to be audited annually by the Provincial Auditor. The Provincial Auditor's audit report on the GCVA is provided to the Saskatchewan Rate Review Panel.

The $37,762 thousand gain from commodity sales excludes $26,441 thousand from natural gas sales to consumers plus an $11,321 thousand mark to market gain on unexpired derivative instruments that do not qualify for hedge accounting. The mark to market gain relates to unexpired derivative instruments for the period January 1, 2005 to October 31, 2005.

5. Property, Plant and Equipment

(thousands)	2004			2003		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Transmission and storage	$ 607,995	$ 173,419	$ 434,574	$ 591,079	$ 157,804	$ 433,275
Distribution	609,371	173,770	435,601	588,076	157,801	430,275
Gathering, treatment and compression	152,448	60,448	92,350	151,993	55,199	96,794
Vehicles, equipment and other	162,983	90,908	72,075	145,427	78,159	67,268
Franchise acquisition costs	1,668	67	1,601	1,668	-	1,668
Royalty interest	4,529	4,529	-	4,529	4,529	-
Construction in progress	31,285		31,285	33,258		33,258
	$ 1,572,457	$ 505,121	1,067,336	$ 1,508,030	$ 493,530	1,052,513
Less: Unamortized customer capital contributions			117,875			110,996
			$ 949,461			$ 941,517

Property, plant and equipment includes $3,000 (thousand) ($3,000 - $3,000 thousand) which represents the Corporation's 50.1 per cent proportionate interest in the assets of Heritage Gas Limited.

Franchise acquisition costs relate to the costs required to acquire the franchise distribution of natural gas in the Province of Nova Scotia in 2003.

a. Customer capital contributions

Customer capital contributions are required to be paid by customers to Enbridge as well as contributions of certain customer specific facilities in accordance with established business guidelines.

(thousands)	2004	2003
Balance, beginning of year	$ 110,996	$ 104,287
Contributions received	10,275	9,775
Contributions amortized	(3,396)	(3,066)
Balance, end of year	$ 117,875	$ 110,996

b. Amortization Expense

(thousands)	2004	2003
Amortization of property, plant and equipment	$ 32,882	$ 31,605
Amortization of customer capital contributions	(3,396)	(3,066)
	$ 29,486	$ 28,539

The composite rate of amortization (excluding the effect of customer capital contributions) amortization rate is 3.0 per cent (December 2004 (12 months ended December 2003) - 3.0 per cent (December 2003)).

6. Investments and Other Assets

Investments and other assets are as follows:

	2004		2003	
	Amount (thousands)	Per cent Ownership	Amount (thousands)	Per cent Ownership
a. Equity investments				
i. Gas Sur S.A.	$ 13,511	30.0	$ 13,214	30.0
ii. Igasamex USA Ltd.	9,926	40.1	10,554	40.1
	23,437		23,768	
b. Other receivables	1,059		122	
c. Deferred charges				
Unamortized deferred financing costs	4,076		7,080	
Unamortized post service costs	3,183		3,819	
	7,259		10,899	
	$ 31,755		$ 34,789	

Equity investments:

i. Gas Sur S.A.

The Corporation invested $13,784 thousand to purchase a 30 per cent equity interest in Gas Sur S.A., a Chilean natural gas distribution company.

The Corporation's share of the foreign currency translation adjustment for 2004 resulted in an $84 thousand reduction in the balance of the investment in Gas Sur S.A. (2003 - $66 thousand increase). The Corporation's 30 per cent share of Gas Sur S.A.'s 2004 net earnings was $381 thousand (2003 - $118 thousand).

The cost of the investment exceeds the Corporation's underlying share of the net book value of Gas Sur S.A. by approximately $5,100 thousand (2003 - $5,100 thousand).

ii. Igasamex USA Ltd.

The Corporation invested $10,880 thousand to purchase a 40.1 per cent equity interest in Igasamex USA Ltd., a limited liability partnership registered in the United States. Igasamex USA Ltd. owns a 100 per cent voting interest in Integrated Gas Services de Mexico, S. de R.L. de C.V., a corporation that provides natural gas transmission services to Mexico's industrial sector.

The Corporation's share of the foreign currency translation adjustment related to the investment in Igasamex for 2004 resulted in a $759 thousand reduction in the balance of the investment in Igasamex USA Ltd. (2003 - $410 thousand reduction). The Corporation's 40.1 per cent share of Igasamex USA Ltd.'s 2004 net earnings was $131 thousand (2003 - $84 thousand).

The cost of the investment exceeds the Corporation's underlying share of the net book value of Igasamex USA Ltd. by approximately $5,200 thousand (2003 - $5,240 thousand).

7. Long-Term Debt

Years to Maturity	2004 Principal Outstanding (thousands)	2004 Average Fixed Interest Rate (per cent)	2003 Principal Outstanding (thousands)	2003 Average Fixed Interest Rate (per cent)
Province of Saskatchewan				
1 – 5	$ 329,758	8.2	$ 321,079	8.4
6 – 10	180,000	5.7	169,136	6.7
16 – 30	193,971	7.3	193,971	7.3
	703,729		684,186	
Less sinking fund equity	(32,962)		(26,121)	
Less due within one year	(106,235)		(34,997)	
Due to Province of Saskatchewan	564,532		623,068	
Other	4,816	13.5	4,816	13.5
	$ 569,348		$ 627,884	

a. Sinking funds

Under conditions attached to certain advances from the Province of Saskatchewan's General Revenue Fund, SaskEnergy is required (on an annual basis) to invest an amount equal to one per cent of the related outstanding debt. This investment is referred to as a sinking fund. These sinking funds are administered by Saskatchewan's Department of Finance. The investments held in these sinking funds are primarily Province of Saskatchewan debt instruments. The yield on these investments was 6.82 per cent for 2004 (5.20 per cent for 2003).

b. Maturity dates

Maturity dates are equivalent to interest rate repricing dates.

c. Principal repayments

Principal repayments and sinking fund instalments due in each of the next five years are as follows:

(thousands)	2005	2006	2007	2008	2009
Principal	$ 101,195	$ 66,597	$ 47,705	$ 75,126	$ 39,136
Sinking fund instalments	5,040	4,290	4,290	3,990	3,740
	$ 106,235	$ 70,887	$ 51,995	$ 79,116	$ 42,876

d. Short-term debt

During 2004, the Corporation borrowed funds on a short-term basis from the Province of Saskatchewan's General Revenue Fund at an average interest rate of 2.9 per cent (2003 - 2.9 per cent).

Short-term debt at December 31, 2004 consists of $78,900 thousand (2003 - $110,000 thousand) that was due to the Province of Saskatchewan's General Revenue Fund with an interest rate of 2.5 per cent (2003 - 2.7 per cent).

e. Interest expense

Interest expense was as follows:

(thousands)	2004	2003
Interest expense on long-term debt	$ 51,535	$ 52,876
Interest expense on short-term debt	1,668	3,050
Amortization of deferred financing costs	1,322	1,053
Sinking fund earnings	(2,301)	(1,173)
Interest on cost of gas sold	(2,209)	(3,527)
Interest capitalized	(553)	(204)
	$ 49,462	$ 52,075

Cash interest paid during 2004 on long-term debt was $51,904 thousand (2003 - $53,091 thousand).

8. Equity Advances

The Corporation does not have share capital. However, the Corporation has received advances from CIC to form its equity capitalization. The advances reflect an equity investment in the Corporation by CIC.

9. Financial Instruments, Commitments and Contingencies

Financial Instruments

a. Fair value of financial instruments

The fair value of the Corporation's financial instruments is listed below:

(thousands)	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	$ 708,545	$ 814,123	$ 689,002	$ 790,799
Sinking fund equity	32,962	34,692	26,121	27,536
Natural gas price hedges owed to (by) SaskEnergy				
- swaps	-	5,682	-	(13,986)
- options	11,302	(11,824)	412	751
Interest rate hedges owed to (by) SaskEnergy				
- forward rate agreements	-	-	(6)	(145)

The fair values of the above instruments were based on the following:

i. Long-term debt - The present value of future cash flows discounted at the market rate of interest for the equivalent Province of Saskatchewan debt instruments.

ii. Sinking fund equity - The market value of the investments held in the sinking fund as at year end.

iii. Natural gas price swaps - The relevant index price in effect as at year end. Swap contracts have been entered into for the period January, 2005 to October, 2006.

iv. Natural gas price options - The relevant index price in effect as at year end. Option contracts have been entered into for the period January to October, 2005.

v. Interest rate hedges - Closing quotations from the counterparty as to the amount to settle the contract as at year end.

The carrying values of other financial instruments (accounts receivable, accounts payable, dividend payable and short-term debt) approximate fair value due to their relatively short-term nature.

b. The Corporation has entered into forward purchase agreements to purchase 1.6 petajoules of natural gas during 2005.

c. The Corporation has entered into natural gas price swaps with counterparties, to fix the purchase price for a total of 2.1 petajoules in 2005 and 2006. The natural gas will be held for operations.

d. The Corporation has entered into natural gas price swaps, to fix the final selling price for the 4.8 petajoules committed for sale during 2005 and 2006.

e. Credit risk management

The Corporation extends credit to its customers in the normal course of business and is at risk of loss in the event of non-performance by counterparties on certain of the financial instruments described above. To reduce its credit risk, SaskEnergy has established policies and procedures to monitor and limit the amount of credit extended to its customers and counterparties.

f. Guarantees

SaskEnergy has granted a guarantee related to certain obligations established under the Gas Sur S.A. Shareholders' Agreement. The guarantee is expressly limited to $5,000 thousand United States dollars.

g. Letters of credit

i. The Corporation has posted a $4,008 thousand United States dollar denominated letter of credit in favour of Bank One, N.A., a United States bank. The letter of credit was used as collateral for the Corporation's share of a line of credit Bank One, N.A. has granted to Igasamex Bajio, S. de R.L. de C.V., a wholly owned subsidiary of Integrated Gas Services de Mexico, S. de R.L. de C.V.

Bank One, N.A. may draw upon this letter of credit if Igasamex USA Ltd. defaults under the terms of its loan agreement with Bank One, N.A.

ii. The Corporation has posted a $10,000 thousand letter of credit with NGX Financial Inc. (NGX) as security for gas purchase and sales transactions conducted by SaskEnergy on the NGX electronic natural gas exchange in Alberta. NGX may only draw on the letter of credit if SaskEnergy fails to make timely payment for, or delivery of natural gas as per the related contract. The posting of letters of credit is designed to ensure the security of the contracts traded on the NGX. All participants in the NGX are required to post security.

iii. The Corporation has posted a $20 thousand letter of credit to Saskatchewan Industry and Resources (SIR). A letter of credit is required by SIR for all remitters of natural gas royalties.

Leases

The base lease payments are as follows:

(thousands)	2005	2006	2007	2008	2009	Thereafter	Total
	$ 1,819	$ 1,724	$ 1,629	$ 1,625	$ 1,582	$ 2,500	$ 10,879

10. Net Sales From Gas Marketing

Net sales from gas marketing include the following:

(thousands)	2004	2003
Competitive gas sales	$ 327,018	$ 271,651
Cost of gas	290,483	235,143
Margin	$ 36,535	$ 36,508

Of the $327,018 thousand (2003 - $271,651 thousand) in gross revenue from natural gas sales noted above, $27,093 thousand (2003 - $21,658 thousand) was generated from natural gas purchased from an affiliate at nil cost. The consideration was equal to the affiliate's carrying value.

11. Revenue Collected For and Paid to Municipalities

a. Natural gas distribution

In accordance with the provisions of *The SaskEnergy Act*, SaskEnergy is required to remit to 109 urban municipalities an amount calculated as either five per cent or three per cent of natural gas sales to customers within the respective municipality. These municipal payments are charged to customers and reported as revenue collected for municipalities. These amounts are remitted to the respective municipalities and reported as payments to municipalities on the consolidated statement of earnings and retained earnings. In 2004, revenue collected and paid to municipalities was $20,885 thousand (2003 - $19,149 thousand).

b. Natural gas transmission

In accordance with the provisions of *The SaskEnergy Act*, TransGas Limited (TransGas) is required to collect from specific customers an amount based on the value of natural gas transported on their behalf. TransGas in turn pays the revenue collected to the certain municipalities. The revenue collected is classified as revenue collected for municipalities, and the expense paid is classified as payments to municipalities on the consolidated statement of earnings and retained earnings. In 2004, revenue collected and paid to municipalities was $3,385 thousand (2003 - $5,283 thousand).

12. Saskatchewan Taxes

Saskatchewan taxes include the following:

(thousands)	2004	2003
Corporate capital tax	$ 5,086	$ 4,615
Mitigation payments and property taxes	1,170	1,164
	$ 6,256	$ 5,779

The above amounts do not include Saskatchewan Provincial Sales Tax payments.

13. Net Change in Non-Cash Working Capital

(thousands)	2004	2003
Accounts receivable	$ (29,202)	$ (25,017)
Natural gas in storage held for resale	(13,864)	23,516
Inventories of supplies	(385)	(1,129)
Accounts payable	17,986	20,399
	$ (25,465)	$ 17,769

14. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

(thousands)	2004	2003
Revenue	$ 38,654	$ 42,090
Operating expenses	27,463	27,577
Customer capital contributions	4,320	3,345
Accounts receivable	1,362	1,505
Accounts payable	341	704
Natural gas held for resale	401	-

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Province of Saskatchewan's Department of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

Leases

The base lease payments are as follows:

(thousands)	2005	2006	2007	2008	2009	Thereafter	Total
	$ 1,819	$ 1,724	$ 1,629	$ 1,625	$ 1,582	$ 2,500	$ 10,879

10. Net Sales From Gas Marketing

Net sales from gas marketing include the following:

(thousands)	2004	2003
Competitive gas sales	$ 327,018	$ 271,651
Cost of gas	290,483	235,143
Margin	$ 36,535	$ 36,508

Of the $327,018 thousand (2003 – $271,651 thousand) in gross revenue from natural gas sales noted above, $27,093 thousand (2003 – $21,658 thousand) was generated from natural gas purchased from an affiliate at nil cost. The consideration was equal to the affiliate's carrying value.

11. Revenue Collected For and Paid to Municipalities

a. Natural gas distribution

In accordance with the provisions of *The SaskEnergy Act*, SaskEnergy is required to remit to 109 urban municipalities an amount calculated as either five per cent or three per cent of natural gas sales to customers within the respective municipality. These municipal payments are charged to customers and reported as revenue collected for municipalities. These amounts are remitted to the respective municipalities and reported as payments to municipalities on the consolidated statement of earnings and retained earnings. In 2004, revenue collected and paid to municipalities was $20,885 thousand (2003 – $19,149 thousand).

b. Natural gas transmission

In accordance with the provisions of *The SaskEnergy Act*, TransGas Limited (TransGas) is required to collect from specific customers an amount based on the value of natural gas transported on their behalf. TransGas in turn pays the revenue collected to the certain municipalities. The revenue collected is classified as revenue collected for municipalities, and the expense paid is classified as payments to municipalities on the consolidated statement of earnings and retained earnings. In 2004, revenue collected and paid to municipalities was $3,385 thousand (2003 – $5,283 thousand).

12. Saskatchewan Taxes

Saskatchewan taxes include the following:

(thousands)	2004	2003
Corporate capital tax	$ 5,086	$ 4,615
Mitigation payments and property taxes	1,170	1,164
	$ 6,256	$ 5,779

The above amounts do not include Saskatchewan Provincial Sales Tax payments.

13. Net Change in Non-Cash Working Capital

(thousands)	2004	2003
Accounts receivable	$ (29,202)	$ (25,017)
Natural gas in storage held for resale	(13,864)	23,516
Inventories of supplies	(385)	(1,129)
Accounts payable	17,986	20,399
	$ (25,465)	$ 17,769

14. Related Party Transactions

Included in these consolidated financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to the Corporation by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as related parties).

Routine operating transactions with these related parties are settled at exchange amounts which approximate prevailing market prices under normal trade terms. Transactions during the year, and amounts outstanding at year end, are as follows:

(thousands)	2004	2003
Revenue	$ 38,654	$ 42,090
Operating expenses	27,463	27,577
Customer capital contributions	4,320	3,345
Accounts receivable	1,362	1,505
Accounts payable	341	704
Natural gas held for resale	401	-

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Province of Saskatchewan's Department of Finance on all of its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

Other amounts and transactions due to and from related parties and the terms of settlement are described separately in these financial statements and the notes thereto.

15. Employees' Future Benefits

a. Pension plans

Substantially all employees of the Corporation are members of either a defined contribution or a defined benefit pension plan. During the year, the Corporation contributed $2,824 thousand (2003 - $2,819 thousand) on behalf of employees for current services.

b. Retiring allowance plan

The defined benefit retiring allowance plan for management employees and members of the Communications, Energy and Paperworkers Union, Local 649 is as follows:

(thousands)	2004	2003
Accrued benefit liability	$ 12,239	$ 10,868
Benefits paid during the year	494	800
Net expense	2,502	2,295

The significant actuarial assumptions adopted in measuring the Corporation's accrued benefit liability at December 31 are:

	2004	2003
Discount rate	4.50 per cent	5.00 per cent
Inflation rate	3.00 per cent	3.00 per cent
Average remaining employee service life	8.4 years	8.6 years

16. Heritage Gas Limited

a. Joint venture interest

On February 7, 2003 Heritage Gas Limited (Heritage Gas) received regulatory approval for the franchise to distribute natural gas to all or part of six counties in the Province of Nova Scotia. The Corporation owns 50.1 per cent of Heritage Gas.

The Corporation's 50.1 per cent proportionate interest in the Heritage Gas joint venture is as follows:

i. Consolidated statement of financial position

(thousands)	2004	2003
Current assets	$ 831	$ 845
Property, plant and equipment	9,048	4,565
Regulatory receivable	1,059	122
Deferred charges	203	44
Current liabilities	(902)	(945)
Net investment	$ 10,239	$ 4,631

ii. Consolidated statement of earnings

(thousands)	2004	2003
Revenue	$ 1,182	$ 210
Expenses	(407)	(9)
Net earnings	$ 775	$ 201

iii. Consolidated statement of cash flows

(thousands)	2004	2003
Cash (used in) provided by operating activities	$ (568)	$ 376
Cash (used in) investing activities	(4,645)	(4,609)
Decrease in cash	$ (5,213)	$ (4,233)

b. **Effect of regulation**

Heritage Gas is engaged in the distribution and sale of natural gas in the Province of Nova Scotia and is regulated by the Nova Scotia Utility and Review Board (NSUARB). The regulations cover such matters as tariffs, rates, construction, operations, financing, and accounting. Heritage Gas's accounting policies conform to generally accepted accounting principles for rate regulated utilities and reflect the policies established from time to time by the NSUARB. Rate regulation creates differences between the manner in which Heritage Gas accounts for transactions or events and how they would be accounted for if Heritage Gas was not regulated. The following is a description of the effects of regulation on Heritage Gas as they relate to the Corporation's 50.1 per cent interest:

i. Revenue deficiency account (RDA)

Heritage Gas has approval from the NSUARB to use a Revenue Deficiency Account (RDA). The RDA changes based on the difference between the actual revenue billed and the revenue required to earn the rates of return approved by the NSUARB. In Heritage Gas' customer development stage, it is expected that the actual revenue billed will be less than the revenue required to earn the approved rates of return and therefore an RDA asset will accumulate.

As the distribution network matures, the actual revenue billed is expected to exceed the revenue required to earn the approved rates of return and, the RDA will be drawn down. The recovery of any residual balance in the RDA at December 31, 2008 is subject to approval by the NSUARB.

The RDA as at December 31, 2004 was $1,059 thousand (December 31, 2003 - $122 thousand). The effect of the RDA accumulation was to increase revenue in 2004 by $937 thousand (2003 - $122 thousand).

ii. Allowance for funds used during construction (AFUDC)

Heritage Gas capitalizes an imputed carrying cost on assets under construction. The amount capitalized is disclosed on the income statement as AFUDC. The calculation method and rate of AFUDC have been approved by the NSUARB.

iii. Operating expenses

The NSUARB has approved the capitalization of operating and maintenance expenses. If Heritage Gas was not subject to rate regulation, certain of these amounts would not be capitalized.

iv. Income and other taxes

Heritage Gas follows the taxes payable method of accounting for income taxes. Provision is only made for those income taxes currently payable and no future tax is recorded on timing differences between accounting and taxable income.

17. Segmented Information

SaskEnergy operates predominantly in the following two industry segments:

Distribution (Distribution Division of SaskEnergy) provides natural gas distribution services to the Province of Saskatchewan.

Transportation (TransGas Limited) operates the major natural gas transmission pipeline system within Saskatchewan providing open access transmission services including gathering, compression and natural gas processing to end-use customers, marketers and export producers. This company also provides natural gas storage services.

Statement of Earnings

($ millions)	Distribution		Transportation		Other[1]		Intercompany[2]		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Revenue										
Delivery revenue	167.9	171.4	-	-	1.8	0.6	(7.4)	(7.2)	162.3	164.8
Transportation and storage	-	-	136.2	134.3	3.5	3.6	(51.3)	(56.9)	88.4	81.0
Net sales from gas marketing	-	-	-	-	26.9	30.6	9.6	5.9	36.5	36.5
Revenue collected for municipalities	20.9	19.1	3.4	5.3	-	-	-	-	24.3	24.4
Other	8.3	5.7	-	-	7.0	7.5	(9.4)	(7.1)	5.9	6.1
	197.1	196.2	139.6	139.6	39.2	42.3	(58.5)	(65.3)	317.4	312.8
Expenses										
Operating and maintenance	111.5	113.6	56.4	54.9	5.1	6.2	(55.3)	(61.3)	117.7	113.4
Interest	16.7	17.9	26.7	27.9	2.2	1.7	3.9	4.6	49.5	52.1
Amortization	23.8	23.5	23.9	23.1	1.0	2.2	0.9	-	49.6	48.8
Payments to municipalities	20.9	19.1	3.4	5.3	-	-	-	-	24.3	24.4
Saskatchewan taxes	3.2	2.9	2.4	2.2	0.6	0.7	-	-	6.2	5.8
	176.1	177.0	112.8	113.4	8.9	10.8	(50.5)	(56.7)	247.3	244.5
Net earnings from operations before the following	21.0	19.2	26.8	26.2	30.3	31.5	(8.0)	(8.6)	70.1	68.3
Commodity revenue	386.4	374.4	-	-	0.6	0.4	-	(0.1)	387.0	374.7
Cost of gas sold	351.5	405.6	-	-	0.7	0.7	(2.9)	(4.3)	349.3	402.0
Gain (loss) from commodity sales	34.9	(31.2)	-	-	(0.1)	(0.3)	2.9	4.2	37.7	(27.3)
Net earnings (loss)	55.9	(12.0)	26.8	26.2	30.2	31.2	(5.1)	(4.4)	107.8	41.0

Statement of Financial Position

($ millions)	Distribution		Transportation		Other[1]		Intercompany[2]		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Assets										
Current assets	**268.3**	228.3	**13.7**	42.9	**4.2**	7.8	**(6.1)**	(45.9)	**280.1**	233.1
Property, plant & equipment, & natural gas in storage	**407.0**	404.4	**525.6**	522.5	**42.2**	40.4	**(0.3)**	-	**974.5**	967.3
Investments & other assets	**6.3**	7.1	**3.8**	4.5	**24.7**	24.0	**(3.0)**	(0.8)	**31.8**	34.8
	681.6	639.8	**543.1**	569.9	**71.1**	72.2	**(9.4)**	(46.7)	**1,286.4**	1,235.2
Liabilities and Equity										
Current liabilities	**222.2**	175.9	**148.0**	78.5	**18.8**	25.4	**(17.9)**	18.5	**371.1**	298.3
Long-term debt	**240.2**	251.6	**220.6**	314.5	**16.1**	15.5	**92.4**	46.3	**569.3**	627.9
	462.4	427.5	**368.6**	393.0	**34.9**	40.9	**74.5**	64.8	**940.4**	926.2
Equity	**219.2**	212.3	**174.5**	176.9	**36.2**	31.3	**(83.9)**	(111.5)	**346.0**	309.0
	681.6	639.8	**543.1**	569.9	**71.1**	72.2	**(9.4)**	(46.7)	**1,286.4**	1,235.2

[1] The Other category includes Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, Saskatchewan First Call Corporation, SaskEnergy International Incorporated, Swan Valley Gas Corporation, and SaskEnergy Nova Scotia Holdings Ltd.

[2] The Intercompany category includes general corporate assets, liabilities, revenue and expenses, and also reflects the elimination of intercompany transactions required upon consolidation.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Corporation accounts for intercompany sales as if the sales were made to third parties at current market prices.

The reportable segments are the major strategic business units of the Corporation. Each business unit is managed separately as it provides products and services requiring different business, technology and marketing strategies.

18. Comparative Figures

Certain of the prior year amounts have been reclassified to conform to the current year's presentation.

FIVE-YEAR FINANCIAL SUMMARY

($ millions)	Distribution					Transportation				
	2004	2003	2002	2001	2000	**2004**	2003	2002	2001	2000
Statement of Earnings										
Revenue										
Delivery revenue	**167.9**	171.4	169.8	158.1	170.5	-	-	-	-	-
Transportation and storage	-	-	-	-	-	**136.2**	134.3	123.3	125.1	132.6
Net sales from gas marketing	-	-	-	-	-	-	-	28.3	35.0	15.4
Revenue collected for municipalities	**20.9**	19.1	18.6	16.3	13.3	**3.4**	5.3	4.0	5.8	4.8
Other	**8.3**	5.7	(2.0)	2.7	1.8	-	-	-	-	-
	197.1	196.2	186.4	177.1	185.6	**139.6**	139.6	155.6	165.9	152.8
Expenses										
Operating and maintenance	**111.5**	113.6	118.2	116.8	114.4	**56.4**	54.9	51.2	49.8	45.7
Interest	**16.7**	17.9	18.9	17.7	26.4	**26.7**	27.9	28.8	29.6	39.2
Amortization	**23.8**	23.5	22.9	22.0	21.1	**23.9**	23.1	24.0	23.7	22.1
Payments to municipalities	**20.9**	19.1	18.6	16.3	13.3	**3.4**	5.3	4.0	5.8	4.8
Saskatchewan taxes	**3.2**	2.9	4.0	3.0	2.4	**2.4**	2.2	4.3	7.2	7.2
	176.1	177.0	182.6	175.8	177.6	**112.8**	113.4	112.3	116.1	119.0
Net earnings from operations before the following	**21.0**	19.2	3.8	1.3	8.0	**26.8**	26.2	43.3	49.8	33.8
Commodity revenue	**386.4**	374.4	377.3	310.4	238.0	-	-	-	-	-
Cost of gas sold	**351.5**	405.6	418.5	376.7	239.5	-	-	-	-	-
Gain (loss) from commodity sales	**34.9**	(31.2)	(41.2)	(66.3)	(1.5)	-	-	-	-	-
Net earnings (loss)	**55.9**	(12.0)	(37.4)	(65.0)	6.5	**26.8**	26.2	43.3	49.8	33.8
Statement of Financial Position										
Assets										
Current assets	**268.3**	228.3	202.5	280.5	211.1	**13.7**	42.9	54.6	58.5	68.8
Property, plant & equipment, & natural gas in storage	**407.0**	404.4	400.1	396.5	386.6	**525.6**	522.5	529.1	533.8	542.4
Investments & other assets	**6.3**	7.1	7.8	8.5	5.4	**3.8**	4.5	5.2	5.9	2.4
	681.6	639.8	610.4	685.5	603.1	**543.1**	569.9	588.9	598.2	613.6
Liabilities and Equity										
Current liabilities	**222.2**	175.9	151.6	218.4	199.9	**148.0**	78.5	61.6	67.9	57.0
Long-term debt	**240.2**	251.6	266.1	268.0	215.0	**220.6**	314.5	335.1	338.1	366.3
	462.4	427.5	417.7	486.4	414.9	**368.6**	393.0	396.7	406.0	423.3
Equity	**219.2**	212.3	192.7	199.1	188.2	**174.5**	176.9	192.2	192.2	190.3
	681.6	639.8	610.4	685.5	603.1	**543.1**	569.9	588.9	598.2	613.6

[1] The Other category includes Bayhurst Gas Limited, Many Islands Pipe Lines (Canada) Limited, Saskatchewan First Call Corporation, SaskEnergy International Incorporated, Swan Valley Gas Corporation, and SaskEnergy Nova Scotia Holdings Ltd.

[2] The Intercompany category includes general corporate assets, liabilities, revenue and expenses, and also reflects the elimination of intercompany transactions required upon consolidation.

Other[1]					Intercompany[2]					Consolidated Entity				
2004	**2003**	**2002**	**2001**	**2000**	**2004**	**2003**	**2002**	**2001**	**2000**	**2004**	**2003**	**2002**	**2001**	**2000**
1.8	0.6	0.6	0.5	-	**(7.4)**	(7.2)	(5.3)	(3.5)	(4.0)	**162.3**	164.8	165.1	155.1	166.5
3.5	3.6	3.6	3.6	4.1	**(51.3)**	(56.9)	(59.3)	(59.9)	(64.0)	**88.4**	81.0	67.6	68.8	72.7
26.9	30.6	-	-	-	**9.6**	5.9	(13.7)	3.5	2.1	**36.5**	36.5	14.6	38.5	17.5
-	-	-	-	-	-	-	-	-	-	**24.3**	24.4	22.6	22.1	18.1
7.0	7.5	4.6	6.1	4.3	**(9.4)**	(7.1)	2.1	(4.4)	(3.5)	**5.9**	6.1	4.7	4.4	2.6
39.2	42.3	8.8	10.2	8.4	**(58.5)**	(65.3)	(76.2)	(64.3)	(69.4)	**317.4**	312.8	274.6	288.9	277.4
5.1	6.2	2.5	2.3	2.0	**(55.3)**	(61.3)	(60.1)	(59.3)	(62.5)	**117.7**	113.4	111.8	109.6	99.6
2.2	1.7	1.0	1.3	1.1	**3.9**	4.6	3.4	4.6	(0.1)	**49.5**	52.1	52.1	53.2	66.6
1.0	2.2	0.7	1.5	1.4	**0.9**	-	-	-	(0.1)	**49.6**	48.8	47.6	47.2	44.5
-	-	-	-	-	-	-	-	-	-	**24.3**	24.4	22.6	22.1	18.1
0.6	0.7	0.7	0.6	0.5	-	-	-	-	-	**6.2**	5.8	9.0	10.8	10.1
8.9	10.8	4.9	5.7	5.0	**(50.5)**	(56.7)	(56.7)	(54.7)	(62.7)	**247.3**	244.5	243.1	242.9	238.9
30.3	31.5	3.9	4.5	3.4	**(8.0)**	(8.6)	(19.5)	(9.6)	(6.7)	**70.1**	68.3	31.5	46.0	38.5
0.6	0.4	0.3	0.1	-	-	(0.1)	(0.3)	-	-	**387.0**	374.7	377.3	310.5	238.0
0.7	0.7	0.3	0.1	-	**(2.9)**	(4.3)	(16.9)	(4.9)	(7.4)	**349.3**	402.0	401.9	371.9	232.1
(0.1)	(0.3)	-	-	-	**2.9**	4.2	16.6	4.9	7.4	**37.7**	(27.3)	(24.6)	(61.4)	5.9
30.2	31.2	3.9	4.5	3.4	**(5.1)**	(4.4)	(2.9)	(4.7)	0.7	**107.8**	41.0	6.9	(15.4)	44.4
4.2	7.8	5.4	5.2	4.2	**(6.1)**	(45.9)	(30.2)	(58.9)	(62.4)	**280.1**	233.1	232.3	285.3	221.7
42.2	40.4	20.3	20.6	19.3	**(0.3)**	-	-	1.2	(0.3)	**974.5**	967.3	949.5	952.1	948.0
24.7	24.0	15.8	12.9	7.4	**(3.0)**	(0.8)	0.8	(0.5)	0.1	**31.8**	34.8	29.6	26.8	15.3
71.1	72.2	41.5	38.7	30.9	**(9.4)**	(46.7)	(29.4)	(58.2)	(62.6)	**1,286.4**	1,235.2	1,211.4	1,264.2	1,185.0
18.8	25.4	10.3	9.2	13.0	**(17.9)**	18.5	79.2	56.6	(60.3)	**371.1**	298.3	302.7	352.1	209.6
16.1	15.5	13.6	13.7	6.7	**92.4**	46.3	(0.3)	(0.2)	79.5	**569.3**	627.9	614.5	619.6	667.5
34.9	40.9	23.9	22.9	19.7	**74.5**	64.8	78.9	56.4	19.2	**940.4**	926.2	917.2	971.7	877.1
36.2	31.3	17.6	15.8	11.2	**(83.9)**	(111.5)	(108.3)	(114.6)	(81.8)	**346.0**	309.0	294.2	292.5	307.9
71.1	72.2	41.5	38.7	30.9	**(9.4)**	(46.7)	(29.4)	(58.2)	(62.6)	**1,286.4**	1,235.2	1,211.4	1,264.2	1,185.0

CORPORATE GOVERNANCE

Authority

SaskEnergy is a statutory Crown corporation which is governed by *The SaskEnergy Act* and *The SaskEnergy Regulations*. The Board of Directors (the Board) oversees the management of the Corporation and holds management accountable for the Corporation's performance. Through the Chair, the Board is accountable to the Minister Responsible for SaskEnergy, who functions as a link between the Corporation and Cabinet, as well as the Provincial Legislature.

Board Responsibilities

The Board is responsible for the stewardship of the Corporation. In carrying out this responsibility, the Board participates in the Corporation's strategic planning process each year and approves the strategic direction and corporate plan. The Board also exercises its responsibility to oversee and ensure adherence to *The SaskEnergy Act*.

Board Composition

SaskEnergy's Board is representative of Saskatchewan community and industry. The Lieutenant Governor in Council, pursuant to *The SaskEnergy Act*, appoints Board members. Members possess a variety of significant attributes, including industry expertise, strategic leadership, entrepreneurial and communication skills, integrity, flexibility, sound judgment and initiative. Board members are committed to serving the Corporation, and in so doing, serving Saskatchewan people through emphasis on client service, productivity, profitability, co-operation and sound environmental stewardship.

Committees

The Board established the following four committees to assist in discharging specific areas of Board responsibility:

- **Audit and Finance Committee**

  Chair: Mike Chorlton

  The Audit and Finance Committee mandate is to assist the Board in meeting their responsibilities with respect to financial reporting, internal control and accountability. In addition, it ensures that the Board is provided with financial plans and proposals consistent with the Corporation's overall strategic plan and public policy objectives.

- **Governance Committee**

  Chair: Heather Heavin

  The Governance Committee is responsible for the development and maintenance of SaskEnergy's corporate governance practices. Among other things, its duties include evaluating the performance of the Board and establishing appropriate Board and Board committee structure, composition and mandate.

- **Human Resources/Compensation Committee**

  Chair: Ralph Hesje

  The Human Resources/Compensation Committee mandate is to oversee SaskEnergy's human resource strategies, programs and practices to ensure that SaskEnergy is a corporate leader in the development and implementation of proactive human resource strategies.

- **Safety, Health and Environment Committee**

  Chair: Eldon Lindgren

  The Safety, Health and Environment Committee mandate is to ensure the Corporation is proactively addressing safety, health and environmental issues and is in compliance with all statutory requirements.

Governance Practices

SaskEnergy's approach to corporate governance practices is substantially consistent with the guidelines set forth in the *Canadian Institute of Chartered Accountants (CICA) Handbook* (sections entitled *Guidance for Directors and Governance Processes for Control*). These guidelines, which were adopted by the Board of Governors of the Toronto Stock Exchange (TSX), address the key areas of responsibility for effective corporate governance, including responsibility for stewardship of the Corporation, the Board's role in working with management and the functioning of the Board. SaskEnergy's corporate governance practices are benchmarked against the TSX Guidelines in the following Governance Scorecard.

TSX Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSX Guidelines?
1. The board should explicitly assume responsibility for the stewardship of the corporation, specifically for:	The Board of Directors has a formal mandate with responsibility to function as stewards of the Corporation, and has the obligation to manage the affairs and business of the Corporation. While the fundamental objective of the Board is to act in the best interests of the Corporation, the Board has a responsibility to ensure congruence between shareholder expectations, corporate plans and management performance. The Board acts in accordance with the governing legislation, the Corporation's Code of Conduct and the Board's Terms of Reference.	Yes
(a) Adoption of a strategic planning process and approval of a strategic plan which takes into account, among other things, the opportunities and risks of the business:	One of the Board's principal duties is to provide leadership in setting the Corporation's long-range strategic direction and to approve the Corporation's overall strategic plan. The Corporation's comprehensive strategic planning process results in the annual review and approval by the Board of the Corporation's Strategic Plan, Annual Operating and Capital Budget and Financial Plan. In addition, the Board conducts an annual comprehensive strategy session with Senior Management, at which the Board reviews and assesses the performance of the Corporation and its subsidiaries, reviews business plans, reviews the opportunities and risks of the Corporation's business, and reviews short-term and long-term objectives for the Corporation, including discussing and approving strategies to meet these objectives. Management must seek the Board's approval for any transaction that would have a significant impact on the Strategic Plan.	
(b) The identification of the principal risks of the corporation's business and ensuring the implementation of appropriate systems to manage these risks:	The Board identifies the principal risks of the Corporation and through the Audit and Finance Committee, monitors the Corporation's risk management programs, in addition to overseeing the implementation of appropriate systems to manage those risks. The Audit and Finance Committee meets regularly to review reports and discuss significant risk areas with the internal and external auditors.	Yes
(c) Succession planning, including appointing, training and monitoring senior management:	The Human Resources/Compensation Committee of the Board annually reviews the adequacy of the Corporation's succession planning strategy, performance targets, and the performance evaluations of the Executive Officers of the Corporation. The Board supports management's commitment to training and development of all employees.	Yes
(d) A communications policy for the corporation:	Although there is no formal written policy, SaskEnergy is committed to the principles of transparency, openness and timeliness in communications with its shareholder, employees, stakeholders and the public. Furthermore, the Corporation complies with certain communication requirements set by the shareholder and by statute.	Yes
(e) The integrity of the corporation's internal control and management information systems:	The Audit and Finance Committee is responsible for the financial reporting, internal control and accountability of the Corporation. This Committee reviews the integrity of the internal control processes and financial management information systems in conjunction with the internal and external auditors.	Yes
2. (a) The board of directors of every corporation should be constituted with a majority of individuals who qualify as unrelated directors:	There are nine individuals on the SaskEnergy Board. Jean Weimer, Assistant to the President of CEP Union, Local 649, is the only related Board member.	Yes
(b) Disclosure of significant shareholders (ability to exercise a majority of votes to elect directors):	SaskEnergy is a statutory Crown corporation and does not have any share capital.	Not applicable
3. The board is required to disclose on an annual basis the analysis of the application of the principles supporting the conclusion of whether the director is related or an unrelated director:	Tim Gitzel, Chair: UNRELATED- President and CEO of COGEMA Resources (resigned from the Board effective July 31, 2004) Mervyn J. Simon, Chair: UNRELATED- Independent Industry Business Person (Chair effective March 30, 2004) Heather Heavin, Vice Chair: UNRELATED- Assistant Professor of Law, University of Saskatchewan (appointed as a Board member March 30, 2004) Geoffrey W. Bartlam: UNRELATED - Independent Business Person (ceased being a Board member effective March 30, 2004) Michael W. Charlton: UNRELATED - Vice President, Renessen LLC, Chicago, Illinois Ralph Hesje: UNRELATED - President, Wilbros MSI Canada Inc. George E. Lafond: UNRELATED - Special Advisor to the President of the University of Saskatchewan Emmet Reidy: UNRELATED - Independent Business Person (ceased being a Board member effective March 30, 2004) Jean Weimer: RELATED - Assistant to the President of CEP Union, Local 649 (company employee on leave for Union business) Nadine Krenosky: UNRELATED - Vice President, Greystone Managed Investments Inc. (appointed as a Board member March 30, 2004) Florence Linantud: UNRELATED - Communications, Protection & Control Development Engineer I, SaskPower (appointed as a Board member March 30, 2004) Eldon Lindgren: UNRELATED - Lawyer, Lindgren, Blais, Frank and Illingworth (appointed as a Board member March 30, 2004)	

TSX Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSX Guidelines?
	For the unrelated Directors, none of them, or their "associates," have worked with or for the Corporation by material contracts or have received remuneration from the Corporation in excess of fees and compensation as Directors and Committee members or as Directors of subsidiaries of the Corporation.	
4. The board of directors of every corporation should appoint a committee of directors composed exclusively of outside directors, a majority of whom are unrelated directors, with responsibility for proposing to the full board new nominees to the board and for assessing directors on an ongoing basis:	The Company does not have a nominating Committee. The Governance Committee has responsibility to make recommendations to the Board on the size, composition and required qualifications of the Board. It carries out the function of a nomination committee. This Committee is also responsible for the ongoing assessment of Directors. All of the Governance Committee members are outside, unrelated Directors.	Yes
5. Every board of directors should implement a process to be carried out by the nominating committee or other appropriate committee, for assessing the effectiveness of the board as a whole, the committees of the board and the contribution of individual directors:	The Governance Committee is responsible for implementation of performance evaluations of the Board, each Committee, the Chair and individual Directors. The Committee surveys Directors to provide feedback on the effectiveness of the Board. The results are summarized and reported to the Board, as well as to the Crown Investments Corporation of Saskatchewan (CIC) Board of Directors. For 2004, the process will consist of the individual Board members completing evaluation surveys on the effectiveness and performance of the Board Committees. Each of the survey results will be summarized and reported to the Board and to the CIC Board of Directors. The 2004 process will be conducted internally by the Corporate Secretary under the guidance of the Governance Committee. In addition, for 2004 the Board will also complete individual Director peer evaluations. An external consultant will assist Board members in completing the peer evaluations and the individual Director will be supplied with his or her results. A summary report is provided to the Governance Committee and the CIC Board of Directors.	Yes
6. Every corporation, as an integral element of the process for appointing new directors, should provide an orientation and education program for new recruits to the board:	The SaskEnergy Board has approved a Board of Directors Training Policy which outlines the Corporation's commitment to the orientation and training of its incoming Board members and the ongoing training and industry education for current Board members. This policy outlines the comprehensive orientation material to be provided to incoming Board members. As part of the ongoing training for Board members, CIC has facilitated additional training sessions for Board members in 2004.	Yes
7. Every board of directors should examine its size and undertake, where appropriate, a program to reduce the number of directors to a number which facilitates more effective decision making:	SaskEnergy's present Board size of nine members brings the necessary skills and experience to Board decision making to form an effective decision-making body. SaskEnergy's Governance Committee is responsible for annually assessing the size, composition and required qualifications of the Board to determine whether it has all the necessary constituents for effective decision-making.	Yes
8. The board of directors should review the adequacy and form of the compensation of directors and ensure the compensation realistically reflects the responsibilities and risk involved in being a director:	The Human Resources/Compensation Committee is responsible for annually reviewing the compensation for the Board members and the Chair, and recommending to CIC for approval any proposed adjustments to compensation levels. CIC is mandated by legislation to fix the remuneration and rate of reimbursement for expenses of directors.	Yes
9. (a) Subject to guideline 13, committees should be generally composed of outside directors:	The Board has appointed four Committees: • Audit and Finance Committee • Governance Committee • Human Resources/Compensation Committee • Safety, Health and Environment Committee Committees are comprised solely of non-management members, except the Human Resources/Compensation Committee and the Safety, Health and Environment Committee, where Jean Weimer, a unionized employee on leave from the Corporation, is a member.	Yes
(b) The majority of committee members should be unrelated:	The majority of Committee members are unrelated.	Yes
10. Every board of directors should expressly assume responsibility for, or assign to a committee of directors the general responsibility for developing the corporation's approach to governance issues. This committee would, among other things, be responsible for the corporation's response to these governance guidelines:	The Governance Committee is mandated to be responsible to the Board for governance of SaskEnergy, including issues related to governance and conflict of interest involving Directors and Senior Executives. The Governance Committee has reviewed and approved this report.	Yes

TSX Corporate Governance Committee's Guidelines	SaskEnergy's Corporate Governance Practices	Consistent with TSX Guidelines?
11. (a) The board of directors, together with the CEO, should develop position descriptions for the board and for the CEO, involving the definition of the limits to management's responsibilities:	The Board has developed the Board's Terms of Reference which outline the responsibilities for the Board and management. The Board has approved policies for the execution of documents and expenditure authorities for the CEO and Senior Management. These policies clearly outline the limits to Senior Management's authorities and the levels for which matters must receive Board approval.	Yes
(b) The board should approve or develop the corporate objectives which the CEO is responsible for meeting and assess the CEO against these objectives:	The Human Resources/Compensation Committee annually reviews with the CEO the performance targets and performance evaluation of the CEO and the Executive Officers. The CEO's performance is assessed against the Corporation's annual objectives. The results of the CEO's performance are reported to the full Board.	Yes
12. Every board of directors should have in place appropriate structures and procedures which ensure that the board can function independently of management:	The Board structure at SaskEnergy is such that the Chair of the Board is unrelated. The Board meeting procedures are such that at each meeting the Board conducts an in-camera session whereby management are excused from the meeting.	Yes
13. The audit committee of every board of directors should be composed only of outside directors. The roles and responsibilities of the audit committee should be specifically defined so as to provide appropriate guidance to audit committee members as to their duties. The audit committee should have direct communication channels with the internal and external auditors to discuss and review specific issues, as appropriate. The audit committee's duties should include oversight responsibility for management reporting on internal control. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Audit Committee to ensure that management has done so.	All members of the SaskEnergy Audit and Finance Committee are outside Directors. SaskEnergy's Audit and Finance Committee's Terms of Reference states that the Committee has a mandate to, among other things: • Review with management and the external auditor, and recommend to the Board for approval, the annual audited financial statements of the Corporation and its wholly owned subsidiaries. • Review and recommend for approval of the Board the Management's Discussion and Analysis (MD&A) section of the Annual Report, as well as any other disclosure documents containing financial statements or financial information of the Corporation. • Review the Corporation's interim (quarterly) financial statements. • Review annually the results of the external auditor's review of the Corporation's financial record. • Review the results of the reports of the internal and external auditors with respect to the state of the Corporation's internal control systems. • Review the quality of service and the performance of the external auditor and recommend the appointment or reappointment of an external auditor. The Committee has sole authority for the relationship with the external auditor, including recommending the terms of their audit engagement and related fees. • Review internal audit costs, external audit fees, Directors' expenses, Senior Management's expenses and the report of material outstanding litigation. • Review and approve the plans of the Corporation's internal auditor. • Review financial forecasts. • Review annually the efficacy of the Corporation's policies relating to execution of documents, derivatives, and expenditure. • Review annually the objectives, goals and basic principles in use of financial derivatives to manage interest rates, gas price and foreign currency risk, and the Gas Marketing Business Plan. • Review quarterly the performance and execution of the Gas Price Hedging Strategy, Corporate Debt Strategy and Foreign Exchange Hedging Strategy as contained in the Corporate Derivatives Policy. • Review annually the borrowing and new venture financing of the Corporation. • Review annually the insurable risks and insurance coverage, the Corporate Credit Risk Management Policy and the procedures for commodity risk management. • Monitor management's process for identifying, controlling and reporting those financial risks that could have a material impact on the Corporation's financial reporting.	Yes
14. The board of directors should implement a system which enables an individual director to engage an outside advisor at the expense of the corporation in appropriate circumstances. The engagement of an outside advisor should be subject to the approval of an appropriate committee of the board:	The Board or any Committee of the Board may obtain the advice and counsel of external advisors if, in the opinion of the Board or Committee, it is necessary in order to properly discharge their function, duties and responsibilities that such advisor be engaged.	Yes

SaskEnergy

1000-1777 Victoria Avenue, Regina, Saskatchewan S4P 4K5
www.saskenergy.com

For additional copies of this year's Management's Discussion and Analysis and Consolidated Financial Statements, please call SaskEnergy at (306) 777-9378 or visit our website.

This is part of a three-book set consisting of the Annual Report 2004, Management's Discussion and Analysis 2004 and Corporate Social Responsibility Report 2004.

SaskEnergy
CORPORATE SOCIAL RESPONSIBILITY REPORT 2004
MEETING THE CHALLENGE

Cover image: SaskEnergy and the Saskatoon Red Cross proudly support "Hear the Children" Peace Day, which engages youth, parents, volunteers and the community at large in promoting peace and humanitarian values.

Cover image: SaskEnergy and the Saskatoon Red Cross proudly support "Hour the Children" Peace Day, which engages youth, parents, volunteers and the community at large in promoting peace and humanitarian values.

Message from Doug Kelln

It often goes without saying that the people you employ reflect the communities you serve. Saskatchewan, for example, is filled with some of the kindest, most hard-working and generous individuals you could meet.

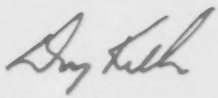
SaskEnergy's employees demonstrate these characteristics everyday. Through their steadfast commitment to excellence, our employees have taken their daily skills of customer service and dedication to our core business, and incorporated them into our corporate social responsibility (CSR) programs. These 986 men and women, in more than 50 communities across Saskatchewan, are our CSR champions. Collectively they ensure SaskEnergy's social footprint on the Province represents the values that Saskatchewan people believe in – support for others.

People today agree companies must go beyond just providing good products and services – they must be responsive and active in building the communities in which they do business. For example, consistently more than 85 per cent of our customers tell us we should support community and charitable activities. In conjunction with these expectations, our employees have volunteered more than 13,000 hours to local events over the past four years alone. They continually integrate CSR into their daily work, through activities such as safety, training and environmental awareness. These are just a few examples.

Our reporting has also evolved from a list of policies and procedures to measurable goals and benchmarks against national averages. In this year's Report we not only highlight our successful CSR initiatives for 2004, but we also illustrate how our employees help us achieve our vision. For SaskEnergy, CSR is an evolution that grows and adapts over time, to be nurtured through the commitment of our staff.

Although we accomplished a number of successes in 2004, we unfortunately suffered a major loss that is felt across our entire company. Gerald Oxby, a 30-year employee and staunch supporter of CSR, passed away in the summer. He was instrumental in supporting the annual TransGas Environmental Day, where he worked with other employees to plant more than 38,000 trees on TransGas and SaskEnergy sites around Saskatchewan. For Gerald, this was not only a chance to help the environment and create a natural habitat for animals, but an opportunity to include employees' children and families in activities that will resonate through the future.

As American activist and politician John Gardner once said, "Excellence is doing ordinary things extraordinarily well." When it comes to CSR and our employees, this rings true. Any company can sign cheques, but it takes a dedicated and creative team united by common goals and values to really make a difference in the community – through action.



Doug Kelln
President and CEO

To achieve SaskEnergy's vision of core business excellence, we aspire to six strategic mandates. These play a crucial role in our planning, reporting and measurement, and are developed in accordance with the highest benchmarks possible.

For the area of corporate social responsibility, the strategic mandates of Community and Environmental Responsibility and Engaging Employees are most relevant. These are covered in detail, though all six imperatives play a role in responsible behaviour.

COMMUNITY AND ENVIRONMENTAL RESPONSIBILITY

Priority: Position SaskEnergy as a model corporate citizen with its stakeholders across Saskatchewan, through events and activities that strengthen the social fabric of our Province.

1) Sponsorships and Community Investments

SUPPORT FOR SASKATCHEWAN – COMMUNITY INITIATIVES

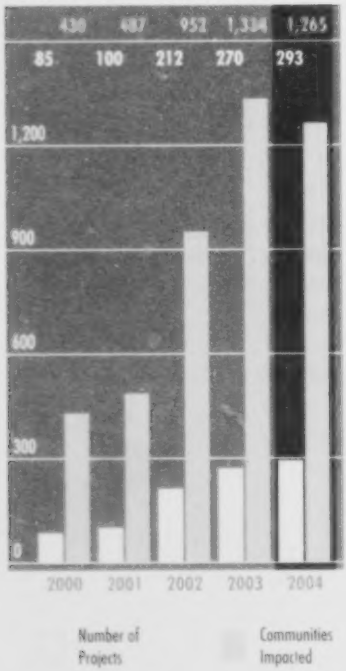
Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Demonstrate a philosophy of corporate social responsibility.	Community relations investment ($ millions)	1.43	1.49	1.56	1.56	1.56	1.56	1.56
	Number of projects funded	1,265	1,300	1,300	1,300	1,300	1,300	1,300
	Number of communities impacted	293	270	270	270	270	270	270
	Volunteer hours donated by SEI/TGI employees	1,400[1]	4,400	4,400	4,000	4,000	4,000	4,000

[1] SaskEnergy management and bargaining unit employees only.

Our support for communities is founded on two separate principles. The first: by engaging in the community, we help groups and individuals realize how they can have a positive impact on others. The second: by investing our financial, organizational and volunteer resources in local communities, we too can help make Saskatchewan a better place to live, to work, and to raise a family.

Our community involvement encompasses three separate programs that together help us achieve our vision.

SASKENERGY'S COMMUNITY INVESTMENT IN SASKATCHEWAN



SaskEnergy's Share the Warmth Fund ensures our corporate giving is shared with as many Saskatchewan communities as possible, regardless of their size and proximity to urban centres. Administered by our employees throughout Saskatchewan, this Fund invested $107,000 in 307 projects in 2004, reaching 92 rural communities. For a list of Saskatchewan communities SaskEnergy supported in 2004, please see the indexed list on page 20.

Through our **Provincial Community Investment Program** we support sponsorships in the following categories:

1) **Community Initiatives:** Community development, volunteer service, and family health and safety.

2) **Education:** Youth, leadership, literacy, science and technology.

3) **Saskatchewan Excellence:** Arts excellence, community celebrations and sports excellence.

4) **Environmental Stewardship:** Public awareness, habitat protection, and resource conservation.

Notably in 2004 we supported the annual Canadian Red Cross "Hear the Children" Peace Day in Saskatoon, as well as the annual SaskEnergy Big Bike for Stroke Tour that raised more than $350,000 in 50 communities across Saskatchewan.

SaskEnergy's **Aboriginal Sponsorship Program** helps us recognize and support Aboriginal people and their contributions to our unique society. Some examples of initiatives we supported in this category include the SaskEnergy Children's Storytelling Corner at Wanuskewin Heritage Park in Saskatoon, and the Prince Albert Grand Council (PAGC) Fine Arts Festival for Youth.

COMMUNITY AND ENVIRONMENTAL RESPONSIBILITY

1) Sponsorships and Community Investments

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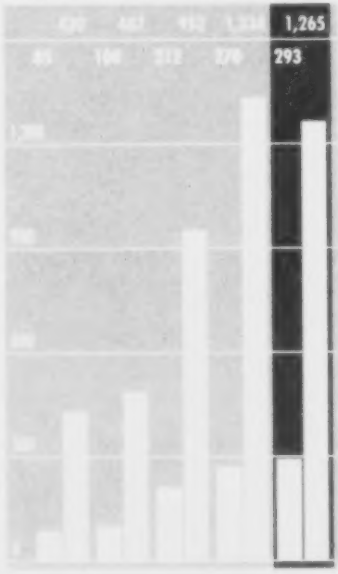

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And of course, we believe our commitment to communities would not be possible without the long-standing support of our staff, through our **Employee Volunteerism Program**. In 2004, these activities varied in scope – from our flagship Share the Warmth Sweater Recycling Project, to the Nokia Brier National Curling Championships.

Employee interest in volunteering for longer-term projects has waned over recent years, significantly enough that the company has retired a major project for 2005 to decrease demand on staff. In the coming year we will re-energize this program with input from our employees. We plan to explore new opportunities and we look forward to the results they will generate.

Barry Rudd (left), representing the TransGas Southwest Share the Warmth Fund, helped the Tutoring and Literacy Program in Maple Creek purchase computers that help immigrants from Asia learn English as a Second Language.

New initiatives take flight for the future

Although employee volunteerism is very important to us, in 2004 we helped engage others in volunteering, and we recognized them for their efforts. One of our objectives is to position ourselves as a "Champion of Volunteers" through sponsorship activities across the Province.

In conjunction with Global Youth Service Day (April 16-18), the largest youth-led volunteering event in the world, SaskEnergy honoured 10 Saskatchewan schools or youth groups for their community support and environmental stewardship. This program will grow in 2005 and beyond, helping recruit the next generation of volunteers and educate the public about young people as community leaders. The Corporation has targeted 16 awards to be allocated in 2005 and was the first corporation in the Province in 2004 to partner with Volunteer Canada in recognizing youth's volunteer service in Saskatchewan.

REGINA 2005
Jeux du CANADA Games

Regina, Lumsden and Moose Jaw will host the 2005 Jeux du Canada Games. As Presenting Sponsor of Volunteers for the Games, SaskEnergy is working with the Games' staff to build a volunteer program for the thousands of people who will donate their time and energy to this national event. In addition, SaskEnergy has provided space in its Regina head office for the Games' Headquarters.

Creating legacies for Saskatchewan

In October 2004, SaskEnergy announced one of its largest sponsorships to date – $500,000 over five years toward pediatric health research in Saskatchewan, through the Royal University Hospital's Royal Care Campaign. Called the "SaskEnergy Centennial Research Fund for Children's Health," this initiative will help fund projects at the Royal University Hospital in Saskatoon such as: mentoring grants for new research labs; recruitment and training for research fellows, and; research into pediatric cardiology, intestinal disorders and rheumatic conditions. In 2004, more than 16,000 children were treated at this hospital, which is considered a leader in acute-care services in Saskatchewan and is the main trauma centre for the Province.

The largest community initiative in our company's history – the Share the Warmth Recycling Project – achieved great success again in 2004. More than 100,000 pieces of warm clothing were collected and distributed to thousands of less fortunate Saskatchewan people.

In the project's 11-year lifetime, it generated more than 750,000 donations through the support of approximately 950 community partners, organizations and schools across Saskatchewan. As it evolved in size it also grew in scope, developing from a SaskEnergy project to a defining point of Saskatchewan's giving spirit. As such, SaskEnergy officially handed the program over to the people of the Province in November, and created a new year-round legacy of giving across Saskatchewan. "Official Permanent Share the Warmth Depots" will be set up around the Province, allowing

Saskatchewan Centennial 2005

Saskatchewan's Centennial Celebrations will be held throughout 2005. In support of the Province's 100-year anniversary, SaskEnergy sponsored Saskatchewan's official Centennial Song, through a contest open to every resident of Saskatchewan.

For more information about the Royal Care Campaign: www.ruhf.org

We're extremely thankful for all the support we received for the SaskEnergy Share the Warmth Recycling Project. School children from across Saskatchewan were some of our biggest boosters, encouraging their communities to participate in the campaigns.

people to drop off clean and usable warm clothing any time of the year. Schools will be able to continue their involvement in this program in 2005 and beyond, through the Global Youth Service Day Awards.

Help us meet the challenge

If you have an event that you'd like SaskEnergy to sponsor, or if you'd like more information about our sponsorships and community investments, visit www.saskenergy.com/community.html or call (306) 777-9378.

Awards and Acknowledgements

Sask. Sport Inc. President's Citation Award – for SaskEnergy's support of KidSport™ Saskatchewan. Over the past seven years SaskEnergy's Catch for KidSport Program has raised more than $195,000 to help 2,738 children from less fortunate families play sports.

The United Way of Regina's "Outstanding Campaign Performance" – for the company's financial contribution, employee participation levels and commitment to the 2004 campaign. More than $124,000 was raised by SaskEnergy/TransGas – the second largest corporate campaign in Regina.

The Canadian Red Cross Humanitarian Award – for SaskEnergy and the Saskatoon Red Cross' partnership in "Hear the Children" Peace Day. In conjunction with the United Nations' International Day of Peace, this event engages students, teachers, parents, volunteers and the community at large in promoting peace and humanitarian values.

2) Partners with Saskatchewan First Nations

Aboriginal people are a potential resource that will have a tremendous impact on this Province. They also represent the largest-growing demographic in Saskatchewan. SaskEnergy has worked for more than 10 years in partnership with First Nations and Aboriginal people to support the community and its goal to become a stakeholder in the Province's economic growth. Our Formula for the Future – which originally began in 1993 – is one way we build relationships with Saskatchewan Aboriginal people in the areas of employment, education and training, and business development.

For more information about Formula for the Future: www.saskenergy.com/community/aboriginal

Formal alliances with Saskatchewan First Nations were again a focal point of our efforts in 2004. In particular, partnership agreements with the Prince Albert Grand Council and the Saskatoon Tribal Council delivered many programs and events including:

- Education and Community Investment – Weekend education camps for First Nations youth at the University of Saskatchewan; sponsorship of art and sport-related community programs, and; scholarships for youth academic excellence and community involvement.
- Youth Investment – Leadership development programs; summer student initiatives, and; a Stay in School program.
- Building Capacity – Certificate leadership development workshops for First Nations band staff and Council employees through the Banff Centre's Aboriginal Leadership and Management Program.
- Business Development – Youth entrepreneurship development.
- Employment and Training – First Nations student mentorship and summer student placements at SaskEnergy.

SaskEnergy was the Official Sponsor of Volunteers at the 2004 Saskatchewan First Nations Winter Games. More than 6,000 athletes, coaches and visitors attended, generating more than $7.5 million in economic spin-offs to Saskatchewan communities.

Since SaskEnergy began its strategic alliances with First Nations communities six years ago, 35 First Nations communities and 55,000 Aboriginal people across Saskatchewan have been positively affected. For a list of First Nations communities supported by SaskEnergy in 2004, please see the indexed list on page 20.

More information about Aboriginal employment at SaskEnergy can be found on page 17.

3) Strong Relationships with Saskatchewan Business

SUPPORT FOR SASKATCHEWAN – BUSINESS INITIATIVES

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Demonstrate a philosophy of corporate social responsibility.	% goods/services sourced in Saskatchewan	75	81	81	81	81	81	81
	Awarded contracts - % Aboriginal labour content	22	32	32	12	12	12	12
Maximize value of goods purchased.	Salvage program savings ($)	84,139	90,000	90,000	90,000	90,000	90,000	90,000
	Purchasing savings ($)	856,493	350,000	350,000	350,000	350,000	350,000	350,000

Priority: Position SaskEnergy as a model corporate citizen with its stakeholders across Saskatchewan, through activities that strengthen local economies and build partnerships with Saskatchewan businesses.

Saskatchewan's business sector includes innovative, highly competitive and unique companies that add value to our provincial economy. Whenever we can each year, we support these businesses by purchasing the majority of our products and services from companies that are right in our own backyards – in cities and towns across Saskatchewan. This support in turn helps strengthen their business, impacts the economy, and employs Saskatchewan people.

Corporate purchases from Saskatchewan suppliers in 2004 totalled more than $38 million, while Aboriginal content totalled more than $1.3 million of all Saskatchewan contracts.

A particular highlight for the year involved a partnership with Cold Weather Technologies Inc. of Lloydminster and SaskEnergy. Together, we tested a new approach to modernize existing line heater equipment, enhance system safety and reliability, and increase energy efficiency. Preliminary results of this technology are encouraging with trial units providing reliable service, reducing greenhouse gas emissions and reducing fuel gas requirements by more than 40 per cent – all very promising news when you consider SaskEnergy operates nearly 400 line heaters.

In 2004 SaskEnergy also met with representatives from major Saskatchewan Tribal Councils and Regional Economic Development Authorities to promote our business and develop contacts for future supplier opportunities. This grassroots, face-to-face approach is part of our plan to further the development of Saskatchewan suppliers and increase job opportunities in Saskatchewan.

For a list of communities supported through SaskEnergy's Supplier Development Program, see the indexed list on page 20.

Recycling Initiatives

Wayne Hellquist, CEO of the Regina Food Bank, receives the cube van and computer equipment for his organization.

Two of SaskEnergy's major announcements last year highlighted our commitment to recycling. In the fall, a SaskEnergy cube van and surplus computer monitors and equipment were donated to the Regina Food Bank. The van will help the organization pick up and deliver food to its customers, while the computer equipment will be used in the Food Bank's computer teaching lab. Extra equipment will be shared with other agencies through the Food Bank's partnership with the In-Kind Centre of Saskatchewan.

SaskEnergy, the Regina Food Bank and other partners also announced participation in the national **thINK FOOD** campaign, where proceeds from recycled inkjet cartridges and cell phones are used to purchase milk for less fortunate children. SaskEnergy's Head Office was one drop-off location for the used equipment in Regina. By the end of 2004, 31,000 cell phones and 232,000 inkjet cartridges were recycled in Canada, representing 750,000 pounds of food for Food Banks across Canada.

For more information: www.think-food.com

Behind the scenes at SaskEnergy, employees at our Saskatoon metershop worked throughout 2004 to refurbish more than 4,600 meterstops that would otherwise have been discarded. As a result of this initiative, over $58,000 was saved.

Help us meet the challenge

If you'd like more details about our Supplier Development initiatives, or if you'd like information about becoming a supplier or contractor for SaskEnergy, call us at (306) 777-9388.

4) Environmental Stewardship

SUPPORT FOR SASKATCHEWAN – ENVIRONMENTAL INITIATIVES

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Incorporate environmental stewardship into our business practices.	Annual greenhouse gas emission reduction (tonnes)	**9,500**	10,000	12,000	12,000	12,000	14,000	14,000
	Cumulative greenhouse gas emission reduction (tonnes)	**113,350**	113,850	125,350	137,350	149,350	163,350	177,350
	% of overall 2012 Kyoto target	**53**	53	59	64	70	76	83

Priority: To promote environmental stewardship to our customers through education, training and action.

Greenhouse Gas Emissions (GHGs) at SaskEnergy

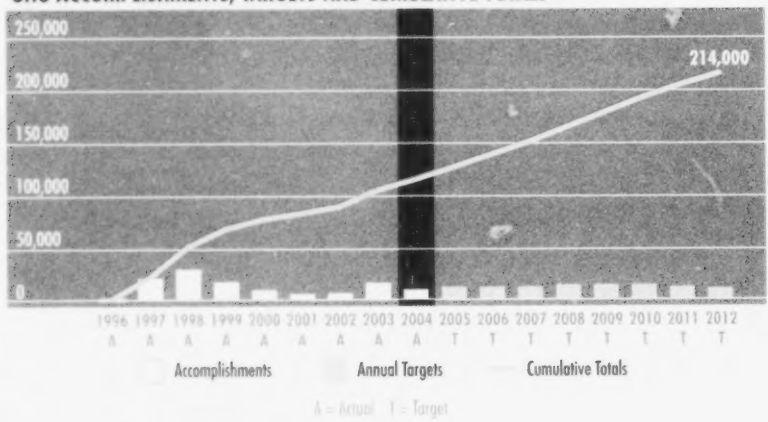
Our daily business of providing safe and reliable natural gas service to our customers undoubtedly has an impact on the environment. We take this reality seriously, and believe we must do all we can to help protect the environment for future generations.

The Kyoto Accord is one example of our commitment. We are well on our way to achieving our voluntary goal of reducing total corporate greenhouse gas emissions by our target of 214,000 tonnes by 2012. We are faring well compared to other companies working to meet their own Kyoto targets.

Emission reductions for the Corporation were down 500 tonnes from our 2004 targets. Resource demands of the Asquith Storage Development Project meant TransGas was unable to replace blowdown and unit valves at the Piapot Compressor Station. This emission reduction project is scheduled for 2005 and will result in even stronger results than originally anticipated.

For more information:
www.climatechange.ca

GHG ACCOMPLISHMENTS, TARGETS AND CUMULATIVE TOTALS



Audits, Assessments, and Site Remediation

In 2004, more than 400 facilities were assessed on their degree of compliance with corporate standards and regulatory requirements for safety, health and the environment. Corrective action was recommended where necessary, and by the end of the year, was complete in more than 94 per cent of the instances.

In addition, fifty-two pipeline projects were assessed and protection plans were put in place to avoid or mitigate environmental impacts associated with pipeline construction.

Since 1990, SaskEnergy and TransGas have operated a site remediation program for past business activities that have had a detrimental impact on the environment. All sites are categorized according to their degree of concern, and corrective action is taken where environmental issues are the greatest and at facilities that are at the end of their useful life. A complementary component of this program involves evaluating and using new technologies to expedite the remediation process and reduce costs.

Site clean-ups occurred at the Cantuar meter station and scrubber site, the Coleville gas plant, and the Hatton landfill site. Five underground storage tanks were replaced at Beacon Hill and Piapot.

A third party audit assessed the company's performance during pipeline project reviews and approvals. Some of the findings included following up with landowners concerned about reclamation of the pipeline rights-of-way, and ensuring all documentation was in order.

Catherine Cox (above right) of the Kindersley SHE Committee received an EnviroAction plaque from Noly Rasmussen of the Safety, Health and Environment Department. She also received a $1,000 grant that was put towards the Kindersley "Communities in Bloom" project.

Environmental awareness promoted internally

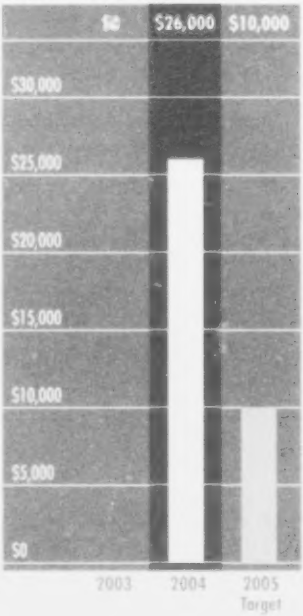
The fourth EnviroAction Week encouraged local SaskEnergy/TransGas Safety, Health and Environment (SHE) Committees to reach their environmental objectives and promote environmental awareness among staff. The 2004 winner was the Kindersley SHE Committee, which performed a self-audit to improve waste management, developed recycling initiatives and investigated water and energy conservation measures.

Energy savings within the company

Electrical energy consumption was reduced again at SaskEnergy's Head Office in 2004. Activities included: replacing office lights with energy-efficient T-8 fluorescent lamps; adding light switches to single offices; installing motion detector switches where cost-effective, and; installing speed drives on each floor of the building. Total electrical savings for 2004 were more than $26,000 over 2003.

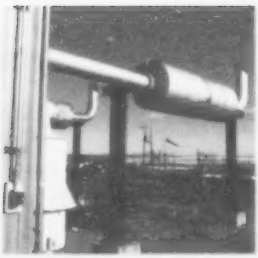
Our electrical energy savings program officially began in 2003. Considering the majority of upgrades at SaskEnergy's Head Office are complete, we continue to target an additional $8,000-$10,000 in savings at our other offices for 2005.

ELECTRICAL ENERGY SAVINGS AT SASKENERGY/TRANSGAS OFFICES



Lighting at some of our other offices has been changed to the T-8 system, while motion detectors and set-back thermostats have been installed where appropriate. Projects for 2005 include energy audits at five company buildings, as well as a material recycling program that will benefit the Habitat for Humanity/Re-Stores.

Under a test program we will also install two air barrier door systems on high use doors at Saskatoon and Regina locations. These systems are mounted in large garages or on warehouse doors to help keep warm air in and cold air out during the winter.



In a proposed pilot project, high grade exhaust heat from the TransGas compressor station in Rosetown could be used to produce electricity for a SaskPower environmental program, while the remaining low grade heat would be used by the Rosetown Regional Greenhouse.

For more information:
www.fpinc.ca
www.weyerhaeuser.com
www.src.sk.ca

Alternative energy projects

Considering natural gas is a non-renewable resource, SaskEnergy investigates potential business opportunities that could provide a reliable and environmentally friendly energy source for the future, while ensuring our business remains profitable.

In 2004 we investigated biomass methanization – where forestry residues are converted into synthetic natural gas. With the Forestry Engineering Research Institute of Canada, Weyerhaeuser and Nipawin Biomass Ethanol Co-op, SaskEnergy conducted a Provincial study into wood-generated methane, focusing on wood residue availability, collection and processing technologies, as well as cost factors. The Saskatchewan Research Council (SRC) was also hired to conduct a technology evaluation, develop a process model for a refinery and help determine handling of the non-gas outputs of the refinery.

Saskatchewan's biomass resource base could support several viable synthetic methane refineries. SaskEnergy's legislative mandate includes natural gas manufacturing – which makes this process a natural fit for the organization.

The successful co-generation microturbine project at the Regina General Hospital has been extended for another year. During this time SaskEnergy will look for a long-term arrangement for the ownership and operation of the units. SaskEnergy will also investigate options for building owners and managers to generate power at their facilities.

Awards and Acknowledgements

Voluntary Challenge and Registry (VCR) Gold Champion Reporting Level status – for SaskEnergy's Climate Change Action Plan. For more information: www.vcr-mvr.ca.

The microturbine operation at the Regina General Hospital has been selected by the U.S. Department of Energy as one of 15 combined heat and power case studies for analysis.

Help us meet the challenge

If you have any ideas on how SaskEnergy can further protect the environment, please send us an email at webmaster@saskenergy.com, or call our Safety, Health and Environment department at (306) 777-9868.

SUPPORT FOR SASKATCHEWAN – INVESTING IN OUR PEOPLE –

Objectives	Measures	Actual 2004	Target 2004	Target 2005	Target 2006	Target 2007	Target 2008	Target 2009
Demonstrate a philosophy of corporate social responsibility.	% of diversity hires	48	34	35	35	35	35	35
	Representative workforce							
	- Aboriginal	9.53	10	10.5	11	11.5	12	12
	- Women	40.77	40	40	40.5	41	41.5	42
	- People with Disabilities	3.25	4.4	5.0	5.5	6.0	6.5	6.5
	- Visible Minorities	1.62	2.0	2.5	3.0	3.5	4.0	4.0
Employees will work in a safe, healthy and rewarding environment.	Lost time frequency rate	3.05	0	0	0	0	0	0
	Preventable vehicle collision frequency rate	2.14	0	0	0	0	0	0
	% of employees who receive enhanced training	99	80	80	80	80	80	80

SaskEnergy is fortunate to employ some of the brightest and most talented people in Saskatchewan. All of their strengths individually are important to us, but collectively are the strength behind our success. From the 25-year employee with decades of work and life experiences, to a more junior employee with new and fresh perspectives, all of our employees are invaluable. We believe in supporting their growth and development wherever and whenever we can.

Partnerships for Learning

In 2004 SaskEnergy explored options for flexible learning opportunities that can be done anytime, anywhere. After several pilots with different vendors, SaskEnergy entered a partnership with SaskTel and the National Education and Training Group (NETG) to provide more than 1,100 e-learning programs to SaskEnergy employees in 2005. Benefits of this initiative include: timely training options; the anytime-anywhere flexibility of e-learning; time and travel savings; reduced training costs; and; positive safety and environmental impacts associated with less vehicle travel. Plans for 2005 include launching the e-learning product internally and targeting a 10 per cent employee training level in this program.

SaskEnergy's Share the Learning Partnership, developed in 2003, helps the company share its training positions with other organizations on a cost-recovery basis. This partnership expanded in 2004 with more than 350 organizations across Saskatchewan expressing interest in participating in this program. In return, other organizations, such as Cameco and SaskTel, have shared their joint training initiatives with SaskEnergy.

A Creative and Innovative Culture

SaskEnergy's employees and its corporate culture are our competitive advantage. To nurture employee thinking skills and invest in their future leadership roles in the company, SaskEnergy launched a Centre for Creativity and Innovation. Various training, tools, and techniques are available, such as Six Thinking Hats and the Myers-Briggs Type Indicator. In 2005 the Centre will be further marketed to employees throughout the company.

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SaskEnergy's Total Rewards Strategy includes four components. These ensure our employees remain inspired to exert the effort required for us to achieve our business goals.

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Developing Leaders for Tomorrow

Almost 100 per cent of SaskEnergy's workforce received enhanced training in 2004, placing SaskEnergy in the top quartile of North American companies. The highly successful Leadership Development Program (LDP) continued for the fifth time, with 17 SaskEnergy and TransGas employees developing their knowledge, skills, and potential for future leadership opportunities within the company. Throughout the 18-month training, employees participated in a number of feedback, coaching and mentoring activities, and also had the opportunity to apply their leadership skills in projects that provide a defined economic return to the business. SaskFerco (a key TransGas customer), and KWH Pipe (a key SaskEnergy supplier) also had a seat in LDP5 – to enhance the program and strengthen our business relationship with them.

A Culture of Health and Safety

For more information:
www.sasksafety.org

Early in the year SaskEnergy/TransGas began a partnership with the Saskatchewan Safety Council – the Province's foremost authority on preventing injuries and fatalities. Through this agreement, the Council provides or co-ordinates most of SaskEnergy's and TransGas' mandatory safety training. In 2004 the Council offered more than 80 training courses, and it's anticipated the same number of sessions will be provided in 2005.

Because employee safety is one of the company's core values, SaskEnergy tested a truck-based satellite communication system in 2004 – to increase employee safety and communication in areas with limited or no cellular coverage. SaskEnergy service technicians in Shellbrook, Spiritwood and Prince Albert tested text messaging, Global Positioning System (GPS) tracking features and emergency call options on a SaskTel Mobility product. In 2005 we will continue using this technology while comparing this product with other options.

Help us meet the challenge
For a listing of career opportunities at SaskEnergy and TransGas, visit www.saskenergy.com/careers.

2004 indexed list of communities supported by SaskEnergy/TransGas

A Abbey, Aberdeen, Abernethy, Admiral, Ahtahkakoop First Nation, Air Ronge, Alameda, Allan, Aneroid, Archerwill, Asquith, Assiniboia, Avonlea

B Balcarres, Balgonie, Battleford, Beauval, Belle Plaine, Bengough, Benito, Bethune, Big River, Big River First Nation, Biggar, Birch Hills, Black Lake, Blaine Lake, Borden, Bradwell, Brightsand, Broadview, Bruno, B-Say-Tah, Buffalo Pound, Bulyea, Burstall

C Camsell Portage, Candle Lake, Cando, Canora, Canwood, Carlton Trail, Carlyle, Carnduff, Carrot River, Carry the Kettle First Nation, Caryle, Central Butte, Chaplin, Chitek Lake, Choiceland, Churchbridge, Clavet, Climax, Cole Bay, Coleville, Consul, Coronach, Cowessess First Nation, Craik, Craven, Creighton, Cudworth, Cumberland House Cree Nation, Cupar, Cut Knife, Cypress Hills, Cabri

D Dalmeny, Davidson, Daystar, Debden, Denzil, Dinsmore, Disley, Dodsland, Duck Lake, Duck Mountain, Dundurn

E Earl Grey, Eastend, Eatonia, Echo Valley, Edam, Edenwold, Elbow, Elrose, Emerald Park, Esterhazy, Estevan, Eston, Eyebrow

F Fillmore, Fishing Lake, Flying Dust First Nation, Foam Lake, Fond du Lac, Fort Qu'Appelle, Fort San, Fox Valley, Frenchman Butte, Frontier

G George Gordon First Nation, Glaslyn, Good Spirit, Goodsoil, Govan, Gravelbourg, Gray, Grayson, Grenfell

H Hague, Harris, Hazenmore, Hazlet, Hodgeville, Holdfast, Hudson Bay, Humboldt

I Ile a la Crosse, Indian Head

K Kahkewistahaw First Nation, Kamsack, Katepwa, Kawacatoose First Nation, Kelvington, Kenaston, Kerrobert, Kincaid, Kindersley, Kinistino First Nation, Kinistino, Kinookimaw Beach, Kipling, Kronau, Kyle

L La Ronge, Laird, Lampman, Lang, Langham, Lanigan, Leader, Lebret, Lemberg, Lestock, Little Pine First Nation, Lloydminster, Love, Lumsden

M Macklin, Macrorie, Maidstone, Mainprize, Major, Manitou Beach, Maple Creek, Marean Lake, Marsden, Marshall, Martensville, Maryfield, McCord, McLean, Meacham, Meadow Lake, Melfort, Melville, Memorial Lake, Meskanaw, Middle Lake, Milden, Milestone, Mistawasis First Nation, Montmartre, Montreal Lake First Nation, Moose Jaw, Moose Mountain, Moosomin, Mossbank, Muenster, Muskeg Lake, Muskoday First Nation, Muskowekwan First Nation

N Neudorf, Neville, Nipawin, Norquay, North Battleford

O Ochapowace First Nation, Ogema, Okanese First Nation, One Arrow First Nation, Onion Lake First Nation, Osler, Outlook, Oxbow

P Pambrun, Paradise Hill, Pasqua First Nation, Pasqua, Patuanak, Paynton, Pennant, Perdue, Piapot, Piapot First Nation, Pierceland, Pike Lake, Pilot Butte, Pinehouse, Ponteix, Prince Albert, Prud'homme, Punnichy, Purdue

Q Qu'Appelle

R Radville, Raymore, Red Earth Cree Nation, Regina, Regina Beach, Rhein, Riverhurst, Rocanville, Rockglen, Rockhaven, Rose Valley, Rosetown, Rosthern, Rouleau

S Saskatoon, Sceptre, Shaunavon, Sheho, Shellbrook, Sherwood Forest, Shoal Lake Cree Nation, Silton, Silver Lake, Sintaluta, Southey, Spiritwood, Springside, Spy Hill, St. Brieux, St. Louis, St. Walburg, Standing Buffalo First Nation, Star City, Stockholm, Stony Rapids, Strasbourg, Success, Swift Current

T Thomson Lake, Thunderchild First Nation, Tisdale, Tompkins, Tramping Lake, Tugaske, Turtleford

U Unity, Uranium City

V Vanguard, Vanscoy, Vawn, Vibank

W Wadena, Wakaw, Waldheim, Watrous, Watson, Wawota, Weyburn, White City, White Fox, Whitecap Dakota/Sioux First Nation, Whitewood, Wilkie, Willowbrook, Wishart, Wollaston Lake, Wolseley, Wood Mountain

Y Yellow Quill First Nation, Yorkdale, Yorkton, Young

SaskEnergy

1000-1777 Victoria Avenue, Regina, Saskatchewan S4P 4K5
www.saskenergy.com

For additional copies of this year's Corporate Social Responsibility Report, please call SaskEnergy at (306) 777-9378 or visit our website.

This is part of a three-book set consisting of the Annual Report 2004, Management's Discussion and Analysis 2004 and Corporate Social Responsibility Report 2004.